United States Court of Appeals

for the Second Circuit

APPENDIX

76-1435

UNITED STATES COURT OF APPEALS

FOR THE SECOND CIRCUIT

Docket No. 76-1435

UNITED STATES OF AMERICA,

Appellee,

v.

JOHN M. KING and
A. ROWLAND BOUCHER,

Appellants.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

APPENDIX

Volume II - Pages A-759 to A-1537

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Reliance on Counsel

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The defendant A. Rowland Boucher claims that he is not guilty of willful wrongdoing because he acted on the basis of advice or in reliance on opinions expressed to him or in his presence by Timothy Lowery, general counsel for King Resources Company. Specifically, defendant Boucher contends that on or about January 20, 1970, May 25, 1970, and in or about March 15, 1971, Lowery expressed opinions to the effect that the Arctic sales transactions, including the sale with John Mecom, was a bona fide arm's-length transaction; and that directly or indirectly such opinions were expressed to him. Boucher further contends that thereafter on January 23, 1970, May 27, 1970, and June 14, 1971, A. Rowland Boucher made certain representations to the best of his knowledge and belief to Arthur Andersen & Co. in the form of representation letters to the effect the Arctic sale transactions were made on a bona fide and arm's-length basis and that these representations, which are central to the Government's charges, were made after Lowery's opinions and in reliance on Lowery's opinions.

If the defendant Boucher, before taking any action charged as wrongful, sought or relied on the advice or opinion

of an attorney whom he considered competent, and in good faith as to the lawfulness of the transactions in question and you find that (a) Lowery received a full report of all material facts: or (b) knew of all material facts independently: or (c) Lowery had knowledge of all the material facts that Boucher had knowledge of; then the defendant would not be guilty of willfully and unlawfully making certain representations or omitting to state certain facts in connection with any representations made by him concerning the Arctic transactions being questioned.

Whether defendant Boucher acted in good faith in relying on opinions of Lowery on transactions then being examined is a question of fact for you to determine.

U. S. v. Interstate Engineering Corp., 288 F.Supp. 402, 416 (D.C. N.H. 1967) affirmed sub. nom. (1st Cir. 1968).

Yours, etc.

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A 761

SUPPLEMENTAL REQUEST: NEGATIVE INFERENCES

As I have previously instructed you, the Government has the burden of proof to show beyond a reasonable doubt that the defendants are guilty of the crimes charged in the Indictment. In that respect, you have heard the testimony of certain witnesses called by the Government whose testimony the Government attempted to discredit. The Government has a right to call witnesses and attempt to impeach them. However, I instruct you that should you find that all or any part of a particular witness's testimony was false, you may not infer that the opposite of that testimony is the truth unless there is other evidence to that effect. Any testimony rejected by you as false is no longer in the case insofar as any finding that you may make is concerned. A finding of fact may not be established merely by a negative inference arising from your disbelief and rejection of any testimony.

Adapted from the charge of Judge Gagliardi, quoted in United States v. Jenkins, 510 F.2d 495, 499 (2d Cir. 1975)

In other words, I charge you that mere disbelief of a witness's testimony is not sufficient proof that the defendants have made any of the kinds of secret commitments or guarantees alleged in the Indictment. You may not convict these defendants of having made any such secret commitments

A 762

or guarantees unless you find that affirmative evidence exists independent of such disbelief that convinces you beyond a reasonable doubt that the defendants are guilty of the crimes charged.

Dyer v. MacDougall,
201 F.2d 265 (2d Cir. 1952)

A 762A

REQUEST NO. 23

A 762A

No Conviction On Suspicion

You must remember that no conviction can be based on suspicion or conjecture or speculation, no matter how strong. A conviction can only be based on actual proof of guilt beyond a reasonable doubt, and if the proof does not meet that standard, you must acquit.

In this regard, I think you realize by now that you have heard a fairly complex case. I instruct you that if you do not fully understand the nature of the proof or the charges against either defendant, then you must acquit that defendant. This is because, absent such understanding, proof of guilt cannot have been established beyond a reasonable doubt.

Adapted from Devitt and Blackmar, Federal Jury Practice and Instructions, §11.01.

A 762-B

A 762-D

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

- X

UNITED STATES OF AMERICA,

Plaintiff,

-against-

75 Cr. 70 (MEF)

JOHN M. KING and
A. ROWLAND BOUCHER,

Defendants.

- X

MEMORANDUM OF LAW IN SUPPORT OF THE ADMISSIBILITY OF DEFENSE EXHIBITS U, W, AA AND BB

This memorandum is respectfully submitted in support of defendants' offer, during their direct case, of certain documents selected from the 1970-71 bankruptcy proceedings relating to John Mecom and his wife. This offer is limited to three documents signed and sworn to by Mr. Mecom and a transcript of a first meeting of creditors where he was a witness and specifically adopted certain statements by his attorney which the defense seeks to introduce in evidence.

The four documents which defense counsel seeks to introduce were included in an offer of 10 documents during the cross-examination of Mr. Mecom. The Court, after first receiving

A 762-C

these documents in evidence, excluded them during the prosecutor's redirect examination on the ground that defense counsel had not examined the witness in sufficient detail with respect to them. The Court then ruled that defense counsel could not question the witness about the documents on recross-examination.

Defendants respectfully contend that under Rule 613 of the newly enacted Federal Rules of Evidence, the Court was mistaken in excluding the documents during Mecom's testimony and in limiting cross-examination regarding them. In any event, the defendants now propose to cure whatever deficiency existed by offering certain selected documents during their own case and, if necessary, by calling Mr. Mecom as a witness.*

THE DOCUMENTS

The defense seeks to offer into evidence the following documents:

1. Exhibit U, Mecom's "Petition for an Arrangement Under Chapter XI of the Bankruptcy Act," dated December 3, 1970 and sworn to by Mr. Mecom, containing a list of Mecom's assets and liabilities, including, without reservation, his agreement with KRC;

---

* One of the documents, Exhibit CC, was received during the cross-examination of Mr. Marriott (Tr. 1064).

A 762-D

2. Exhibit W, a schedule of executory contracts filed on December 23, 1970 and sworn to by Mr. Mecom in which the KRC contract is described in detail. Although other contracts listed in this document are specifically noted as being contested, there is no such qualification with respect to the KRC contract;

3. Exhibit AA, schedule of assets and liabilities, filed February 12, 1971, challenging the contract for the first time but only on the basis that work had not been given to Mecom as allegedly planned; and

4. Exhibit BB, the transcript of testimony at the first meeting of creditors on February 24, 1971 containing an affirmation by Mecom of a statement made by his attorney which included a representation that the KRC contract was the one large liability against Mecom personally.

The first three of these exhibits, exhibits U, W and AA, are prior inconsistent statements which conflict with Mecom's testimony to the effect that he never had a contract with KRC (Tr. 955). It is obviously vital to the defendants' case to show that Mecom in fact felt himself bound by the KRC contract, did not raise any contention with respect to it at the outset of his bankruptcy proceedings and only began changing his position in February 1971.

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A 755-E

The fourth document, Exhibit BB, could be considered as a statement inconsistent with Mecom's claim of illiquidity but, in any event, the defense proposes to recall Mr. Mecom for the purpose of putting this document in evidence.

EXTRINSIC EVIDENCE OF PRIOR INCONSISTENT STATEMENTS

Under the recently enacted Rule 613(b) of the Federal Rules of Evidence, the old requirement that a witness be confronted with a prior inconsistent statement before extrinsic evidence of that statement can be admitted has been eliminated in favor of a requirement that the witness simply be given an opportunity to explain or deny the statement. The Rule states "extrinsic evidence of a prior inconsistent statement by a witness is not admissible unless the witness is afforded an opportunity to explain or deny the same and the opposite party is afforded an opportunity to interrogate him thereon. . . ."

The Advisory Committee notes explain that the "opportunities" referred to in the Rule do not require a confrontation of the witness during cross-examination:

> "The familiar foundation requirement that an impeaching statement first be shown to the witness before it can be proved by extrinsic evidence is preserved but with some modifications. . . . The traditional insistence that the attention of the witness be directed to the statement on cross

examination is relaxed in favor of simply providing the witness an opportunity to explain and the opposite party an opportunity to examine on the statement, with no specification of any particular time or sequence."

In this case, defense counsel attempted to question Mecom on recross-examination with respect to the documents in issue but was prevented from doing so. (Tr. 990-91) Under the new rule, no such attempt was necessary. Judge Weinstein indicates that counsel is not even required to afford the witness an opportunity to explain during cross-examination:

"The rule [613(b)] does not indicate that the party introducing evidence of the inconsistent statement must afford the witness an opportunity to explain. It merely indicates that the witness must be afforded that opportunity. Thus, neither side has the burden of recalling the witness. Normally, the impeaching party will not wish to do so. The impeaching party would seem sufficiently to comply with the rule if he informs the court and opposing counsel at the time the witness testifies that he intends to introduce an impeaching statement and that his opponent may therefore prefer to keep the witness available to be called to explain it if he desires to do so." J. B. Weinstein & M. A. Berger, Weinstein's Evidence (1975), pp. 613-24 to 613-25.

Weinstein's interpretation is consistent with the Congressional testimony of Edward W. Cleary, the reporter of the Advisory Committee on Rules of Evidence, Judicial Conference of the United States.

"If a prior inconsistent statement is used for impeachment purposes [under rule 613(b)] . . . the witness must be afforded an opportunity to explain.

Although contrary to generally prevailing practice, this need not be done during cross examination." Hearings before the Special Subcommittee on Reform of Federal Criminal Laws of the Committee on the Judiciary, House of Representatives, 93rd Congress, 1st Session on proposed rules of evidence, serial No. 2 (1973), page 96.

Thus, the defendants could introduce the statements at issue during their direct case even if no attempt had been made to cross-examine Mecom about them.

If necessary, Mr. Mecom will be called back to the stand as a witness to testify. For the limited purpose of offering those documents which the defendant now seeks to place in evidence, it should not be necessary to call Mr. Mecom as a witness. Three of the exhibits (Exhibits U, W and AA) are documents under seal of the United States Court which the witness admittedly signed and swore to (Rule 902(1)). As such, they may be admitted into evidence as prior inconsistent statements (Rule 613(b)).

With respect to the testimony at the first meeting of creditors (Exhibit BB), defendants acknowledge that the inconsistency is less apparent but, if required to, will call Mr. Mecom. It is respectfully suggested that in the light of the extreme financial burdens placed upon defendants by this trial, and the fact that counsel unsuccessfully attempted to elicit this testimony while Mr. Mecom was on the stand, no such requirement should be necessary.

A 762-H

PREVIOUS ATTEMPTS TO INTRODUCE THE DOCUMENTS INTO EVIDENCE

Towards the end of Mr. Mecom's testimony, defense counsel questioned Mecom about Exhibit U, the first of 10 documents which had been filed in Mecom's bankruptcy proceedings. Mecom identified the document and acknowledged that he had sworn to it (Tr. 958). The document was offered into evidence and the prosecutor requested time to read it stating "Your Honor, we haven't examined this recently. If Mr. Armstrong has no objection, I probably won't object but I would like a chance to look through it before I give the final word" (Tr. 958). In light of this representation, and in order to save time, defense counsel stated that he simply wanted the witness to identify the documents and counsel could read them later.

The witness was shown exhibits V, W, X, Y and Z, at which point he inquired of the Court as to their relevancy (Tr. 959). The Court requested an offer of proof (Tr. 959-60).

Defense counsel stated" "What I intend to do is show that there are representations made in these bankruptcy papers as to the Arctic contract, in which it is treated in the bankruptcy papers as a legitimate, binding contract, with no mention of any side agreement or anything having to do

with any side agreements, up to a certain point in the bankruptcy, where the further papers show that there was a contest made for the first time where the contract was challenged, but not on the grounds that have been testified about in this proceeding" (Tr. 960).

The Court ruled that the documents would be received for that purpose and they were admitted into evidence (Tr. 961). Exhibits AA, BB, CC and DD were then offered and the Court received them, making it clear that he expected the "rate" of questioning with respect to the documents to be "accelerated" (Tr. 962-63). Neither the Court nor the prosecutor made any reference at that time to a need for further foundation testimony.

On redirect examination, the prosecutor went through each of the documents with Mr. Mecom eliciting from him testimony to the effect that he did not prepare the documents, although he had signed those carrying his signature (Tr. 968-79). The prosecutor then moved to exclude all of the documents (Tr. 980). The Court granted defense counsel's request for a voir dire (Tr. 980). Since the prosecutor's examination had been directed strictly to the question of Mr. Mecom's participation in the preparation of the documents, the voir dire examination was similarly limited to bringing out the facts that Mr. Mecom had

A 762-J

consulted with his attorneys, that the substantive information contained in the documents had been discussed with them, and that Mecom had signed various documents (Tr. 980-82). Defense counsel conceded that much of the material contained in the documents was not germane and offered to prepare "sub-exhibits" consisting of the pertinent material (Tr. 982).

At the conclusion of this voir dire examination, the Court reversed its earlier decision and excluded the documents from evidence (Tr. 983). Following the Court's ruling, the prosecutor continued his redirect examination, asking, among other things, about Mecom's previous testimony with respect to the alleged buy-back guarantee (Tr. 988-89).

Following the redirect examination, the Court asked if there was any recross-examination but denied defense counsel an opportunity to ask questions with respect to the bankruptcy documents (Tr. 990-991). In a second offer of proof, defense counsel repeated his arguments with respect to the relevance of the documents, pointed out that the Government had examined the bankruptcy files before trial and had removed documents from those files and asked for the opportunity to bring out the relevant portions of the documents through recross-examination of the witness (Tr. 991-994). The Court rejected this request, saying that counsel had already had his opportunity during the voir dire (Tr. 994-996).

A 762-J1

It is respectfully submitted that defense counsel had no way of knowing that the Court felt that an expansive substantive examination with respect to the documents was expected in the course of a voir dire examination. Indeed, counsel was of the impression that an attempt to interrupt the Government's questioning in this fashion would have been improper. Since the documents were initially received into evidence, there was no indication to defense counsel, prior to their exclusion, that any such requirement was expected. If the Court felt that such an examination was necessary in order to place the documents before the jury in proper perspective, it could have allowed defense counsel to do so on recross-examination. But defense counsel was not given the opportunity.

Thus, the Court's ruling not only barred defense counsel from introducing the documents under Rule 613(b), but also in effect denied the right to question the witness at all about a prior inconsistent statement--as provided in Rule 613(a), which provides: "[i]n examining a witness concerning a prior statement made by him, whether written or not, the statement need not be shown nor its contents disclosed to him at that time. . . ."

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A 762-K

CONCLUSION

The Advisory Committee specifically pointed out that the liberalization of Rule 613(b) was intended in part to reduce "dangers of oversight."

> "A . . . reason for the change is that the the old common law rule was sometimes applied inflexibly and a party who inadvertently neglected to lay a foundation thereafter found himself unable to introduce relevant prior inconsistent statements." K. R. Redden and S. A. Saltzburg, Federal Rules of Evidence Manual, 1975, p. 212.

Defense counsel now proposes to cure whatever deficiency may have existed in his prior offer of proof by offering the documents as part of the defense's direct case.

Respectfully submitted,

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JRW:dl

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

- x

UNITED STATES OF AMERICA, :

- v - : 75 Cr. 70 (MEF)

JOHN M. KING and
A. ROWLAND BOUCHER, :

Defendants. :

- x

GOVERNMENT'S MEMORANDUM OF LAW
IN OPPOSITION TO THE DEFENDANTS'
OFFER OF DOCUMENTS FROM JOHN
MECOM'S BANKRUPTCY PROCEEDINGS

The defendants seek to offer into evidence four documents pertaining to John Mecom's bankruptcy proceedings. The exhibits were among a larger group of documents that the defendant King originally put into evidence during his cross-examination of Mecom but which were then excluded from evidence, on the Government's motion, after the Government's redirect examination of Mecom and a voir dire examination that was permitted of counsel for King.

A 762 M

JRW:dl

In excluding this evidence during the Government's case, the Court stated as follows:

> "First, I never said anything about your pulling anything, but I am perfectly sensitive to the reason you react that way, because the way you put them in, all unintentionally, and I know that otherwise I would be much harsher about this, and the substantial effect that could have been described by somebody as pulling something.
>
> Here is a sheaf of documents filled with red seals and ribbons in a man's organization proceeding where you put them in because he under oath said, 'This is a contract in my file, and, yes, it is a real true contract,' and he has been sitting here testifying about it before this jury and you go ahead and put it in without asking him one question about it, how he focused on it, what it meant to him, what its significance may have been in that wholly different and unrelated bankruptcy proceeding, whether and to what extent as a person going through reorganization, having signed that thing, he felt obliged to be stuck with it because whatever side deal he had with Mr. King or Hulsey or Boucher or anybody might not let him off the hook with his creditors.
>
> You don't open up anything of that, you just leave it to be dropped on the jury some time, red ribbons and all, and he swore this was a good contract, and that, in the context of your having elicited from him under oath yourself just a little while before he really didn't regard it as much of a contract at all.

So nobody understands what these inconsistent things are that you are supposedly eliciting from this witness.

Mr. Wing goes through and elicits what presumably everybody would have known, that supposedly takes the sting out of this material from the Government's point of view and makes the respectable motion to strike; you, an experienced lawyer get a voir dire, and I don't care whether you call it voir dire or cross, you have every opportunity to do what is necessary to show that the jury ought to be regaled by those red ribbons and things when you come to sum up, and still none of what you are now saying comes out in any useful intelligible way.

Having all of that in mind and having in mind that even as you put it now at most these are of modest potential relevance in this case, I am adhereing to the ruling and you, of course, have your exception." (Tr. at 994-95)

As the defendants have noted in their brief, Federal Rule of Evidence 613(b) has eliminated the rule that the witness must be confronted with the prior inconsistent statement before extrinsic evidence of it can be admitted into evidence. The defendants, however, misconstrue the reasons for the Court's exclusion of this evidence by suggesting that the Court's ruling was based on the defendants' failure to confront the witness with the statements in the documents. Instead, the exclusion

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JRW:dl

was predicated on the inadequate showing that the specified portions of the documents were in fact the statements of Mecom rather than his attorney and that they were inconsistent with his testimony, and on the documents' limited probative value and the tendency they would have to confuse the issues in the trial and mislead the jury.

The Court's ruling is supported by Rule 403 of the Federal Rules of Evidence, which states:

> "Although relevant, evidence may be excluded if its probative value is substantially outweighed by the danger of unfair prejudice, confusion of the issues, or misleading the jury, or by considerations of undue delay, waste of time, or needless presentation of cumulative evidence."

The criteria of Rule 403 are applicable to a determination of whether evidence of a prior inconsistent statement shoul be admitted. See 3 J. Weinstein and M. Berger, Weinstein's Evidence ¶607[06] at 607-71 to 607-72 (1975). In commenting on Rule 403, Weinstein has also noted that "[c]ourts are reluctant to becloud the issues in the case at trial by admitting evidence relating to previous litigation involving the parties." 1 J. Weinstein and M. Berger, Weinstein's Evidence ¶403[04] at 403-24 (1975). Admission of these exhibits would raise confusing and time-consuming side issues in this case concerning the circumstances of Mecom's bankruptcy proceedings and the communications that Mecom and his attorney in the Arctic transaction,

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Neal Marriott, had with Mecom's lawyers in the bankruptcy proceedings.

In sum, the previously excluded documents that the defendants now seek to offer during their direct case are of limited probative value and would cause confusion of the issues at trial and unduly waste time on a misleading side issue. They were properly excluded under Rule 403, and the Court should adhere to its ruling.

Respectfully submitted,

ROBERT B. FISKE, JR.
United States Attorney for the
Southern District of New York
Attorney for the United States
of America

PAUL VIZCARRONDO, JR.
JOHN R. WING
Assistant United States Attorneys
Of Counsel

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

- x

UNITED STATES OF AMERICA, :

- v - :

JOHN M. KING and : 75 Cr. 70
A. ROWLAND BOUCHER, :

Defendants. :

- x

GOVERNMENT SENTENCING MEMORANDUM

The defendants King and Boucher, having been convicted on all four counts of the above-captioned indictment, are scheduled to be sentenced on September 7, 1976. This memorandum is respectfully submitted to outline certin factors which the Court may wish to consider in imposing sentence in this case.

There is clearly no need to recapitulate the details of the defendants' fraud which were presented through numerous witnesses and documents during the recent six week trial. Suffice it to say, the proof established a pattern of highly sophisticated criminal conduct pursuant to which King and Boucher arranged fraudulent valuations of certin natural resource interests in order to promote

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A764 and maintain the multi-million dollar profits emanating A 764
from the FOF business. (In little more than two years
KRC alone booked $44,000,000 in gross profits from its
$68,000,000 in sales to FOF. GX 38M)

Three aspects of the case appear significant at this juncture. First, there is substantial reason to believe that the so-called Arctic fraud for which defendants were convicted was only a small part of a far larger over-all fraud perpetrated by King and Boucher in connection with their sales of natural resources interests to FOF. Although the Government did not attempt to prove at trial that the undisclosed astronomical markups were an integral part of this larger fraud (a massive undertaking which would have substantially extended the length of the trial) it seems clear that these incredible markups, which produced equally incredible profits for King's companies, were in fact blatant violations of the terms pursuant to which FOF agreed to buy properties from KRC. This is documented by a letter Cowett wrote to Lowry on November 11, 1970, in which he responded to Lowry's request for his "best recollections" of the arrangements between KRC and

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FOF. (See GX 48i, a copy of which is attached hereto, excluded upon defense objection) In this letter, Cowett refers to the fact that prices paid by FOF were to be no higher than what would be paid by knowledgable industry purchasers on a negotiated arms-length basis (the precise standard articulated in the April 1968 Minutes of the FOF Directors Meeting in Acapulco when the initial agreement was made. GX 1F) Cowett then states:

> "I might add that in the last few months I have been advised by IOS personnel that in several instances properties were acquired by KR or affiliated companies one day and vended (either that same day or almost immediately thereafter) to the Prop Fund at a 10 times or 20 times mark-up. Such a practice was clearly contrary to the understandings motivating IOS/FOF to enter into and to continue the relationship with KR.
>
> a. If KR could buy property at $x, this was a clear indication of the value of such property to knowledgable industry purchasers.
>
> b. If a tract of acreage was purchased by KR for $1 an acre, with a "turn-about" vending to the Prop Fund at a price of $10 an acre for 50% of the position, such transaction would fly directly in the face of the underlying concept of KR having a meaningful investment in properties along with FOF. (It was never intended that FOF have a partner in resource properties who would have a "free ride". We never intended to play a "heads you win, tails I lose" game.)"

This "practice" which Cowett labelled "clearly contrary to the understandins motivating IOS/FOF to enter into and to continue the relationship with KR" was apparently the reality as demonstrated by KRC's financial records which document mark-ups of 10 times, 20 times and more, (see, GX 38L) and Boucher's testimony which conceded rapid "turn-abouts" on property sold to FOF. Clearly, if King had lived up to his promise to sell properties "at prices no less favorable than the price charged by King to its 200 odd industrial and other purchasers" KRC would have not been recording 65% of its gross profit from only the 39% of its sales which wer attributable to FOF. This fundamental deception along with other fraudulent aspects of King's sales to FOF (See Schwartz' letter to Judge Winner of June 22, 1973, outlining FOF's $78,000,000 fraud claim against KRC and its officers. [Copy annexed to Wing affidavit of August 2, 1976]) are the basis for a $120,000,000 civil fraud action presently pending against King and Boucher in the Southern District of New York (FOF Ltd., et al., v. John M. King, et al., 74 Civ. 1981).

The second and perhaps most significant aspect of the entire case is the incredible extent of monetary damage inflicted on the thousands of shareholders of this international mutual fund as a direct result of the defendants' Arctic fraud. In addition to the $10,000,000 paid out by the Fund as a performance fee on the sole basis of the fraudulent valuation, the Fund lost more than $13,000,000 over a seven month period in the form of excess, redemption payments because of the $2.58 increment in false value added to each share as a result of the phoney Arctic sales. Few if any defendants convicted of crimes in this Court are responsible for causing damage that remotely approaches this magnitude.

Moreover, this $28,000,000 loss is above and beyond the almost $100,000,000 paid by the Fund to King's companies for various natural resource interests which, without even considering the merits of the investments, contributed to a liquidity crisis of such dimensions that the fund was forced to affect the spin-off of these properties in August, 1970. Regardless of what defendants may claim those natural resource properties were worth, it is clear according to Conwill's testimony that the market place

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drastically reduced their per share asset value from $11 to $2.

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Finally, it is appropriate to note that both defendants have seen fit to compound their initial crimes by attempting to defraud the Court and jury at the trial of this case with blatantly perjurous testimony. The jury's verdict clearly reflected a finding beyond a reasonable doubt that these men lied under oath. This Court's recent concurrence in that finding permits the sentence to reflect a consideration of this perjury as a significant indication of the true character of these defendants. See United States v. Hendrix, 505 F.2d 1233 (2nd Cir. 1974).

Respectfully submitted,

ROBERT B. FISKE, JR.
United States Attorney for the
Southern District of New York
Attorney for the United States
of America

JOHN R. WING,
PAUL VIZCARRONDO, JR.,
Assistant United States Attorneys,
Of Counsel.

EXHIBIT
S. DIST. COURT
N. D. OF N. Y.
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4/8/1

11/24/70

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Enclosed
herewith letter to
me from Ed. Cowett
outlining his
understanding of the
arrangements between
K.R.C. & F.O.F.

TGL

cc: Roger Davis
Tamar Terbell
Paul Kayzis
John M. Kinney

#770 FROM THE DESK OF – Timothy G. Lowry

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11/24/70

A. R. Bruchis

Herewith letter to
me from Ed. Cuneff
outlining his
understanding of the
arrangements between
K.R.C. & F.O.F.

TGL

cc: Roger Davis
James Tither
Paul Kayzer
John M. Finney

Switzerland

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Emco Financial Services S.A.

November 11, 1970

Timothy G. Lowry, Esq.
135 South La Salle Street
Chicago, Illinois
U.S.A.

Dear Tim:

This letter is written in response to your telephone call of Monday, November 9, during which you requested that I provide you with my best recollections of the arrangements made as to the presumed basis of property acquisitions by F.O.F. Proprietary Funds, Ltd. from King Resources ("KR") and affiliated companies.

Please be advised that, to the best of my recollections:

1. There was no written document dealing with the subject.

2. The first specific conversations held with respect to the operations of the Natural Resources Proprietary Fund ("Prop Fund") took place in Geneva in February or March of 1968. John King, Rowland Boucher and other KR personnel were present. Among the IOS participants in the conversations were Bernard Cornfeld, Henry Buhl and I.

3. John King, Rowland Boucher and Dr. Fredrickson next made a formal presentation to the Directors of The Fund of Funds, Limited ("FOF") in Acapulco in early April of 1968.

4. At the Acapulco meeting, the FOF Board approved the concept of a proprietary fund account to invest in natural resource properties; Eric Scott was assigned the responsibility of checking into the capabilities of the KR organization and of establishing appropriate procedures pursuant to which investments would be made by the Prop Fund.

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5. It was only after Eric Scott had visited Denver, and had subsequently advised me that an appropriate procedure for investing had been worked out, that the first investments were made by the Prop Fund.

6. It was my express understanding (and, I believe, the express understanding of each of the FOF Directors) that:

a. Without specific approval, no investment was to be made by the Prop Fund in any resource property, unless KR or affiliated companies had a meaningful investment in the same properties. This was generally understood to be a 50/50 relationship. (However, it was recognized that there would be instances where the Prop Fund had less than a 50% interest, as well as instances where KR, by reason of the limitation of its own resources, would hold less than a 50% interest. In no event was the Prop Fund to have more than a 50% interest.)

b. KR was to have a 12½% "net operating profits" interest in respect of any property acquired by the Prop Fund. (I must confess my own naiveté was such that I did not understand the true significance between a "net operating profits" interest and a "profit sharing management" fee.)

c. The prices to be paid by the Prop Fund were to be no higher than what would be paid by knowledgable industry purchasers on a negotiated arms-length basis. (While I understood that KR might vend properties out of its inventory to the Prop Fund at a mark-up, I viewed the standard set forth in the previous sentence as protecting the Prop Fund; and, when I visualized sales from "inventory", I was thinking in terms of properties held by KR for a meaningful period of time prior to vending, during which period the values of the properties had presumably appreciated by virtue of intervening events.)

7. I understood that KR and affiliated companies would, of course, in setting a price to be paid by the Prop Fund for a resource property, add to the direct cost of the property a reasonable amount to cover investigative and administrative costs incurred as a result

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of the property acquisition program.

8. I also understood that KR or affiliated companies might perform drilling, coring or other services in connection with property exploration and development; I was specifically advised by John King and/or Rowland Boucher that amounts billed for such work would generally be calculated on a cost plus 7% or 8% profit basis.

I might add that in the last few months I have been advised by IOS personnel that in several instances properties were acquired by KR or affiliated companies one day and vended (either that same day or almost immediately thereafter) to the Prop Fund at a 10 times or 20 times mark-up. Such a practice was clearly contrary to the understandings motivating IOS/FOF to enter into and to continue the relationship with KR.

a. If KR could buy property at $x, this was a clear indication of the value of such property to knowledgable industry purchasers.

b. If a tract of acreage was purchased by KR for $1 an acre, with a "turn-about" vending to the Prop Fund at a price of $10 an acre for 50% of the position, such transaction would fly directly in the face of the underlying concept of KR having a meaningful investment in properties along with FOF. (It was never intended that FOF have a partner in resource properties who would have a "free ride". We never intended to play a "heads you win, tails I lose" game.)

I do not know all of the facts, and I can only hope that the reports which I have received from IOS personnel as to KR and affiliate excesses are untrue or grossly exaggerated.

If I can be of any further assistance to you in this matter, please advise.

Best regards,

Edward M. Cowett

Edward M. Cowett

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UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF NEW YORK

UNITED STATES OF AMERICA,	:	
Plaintiff,	:	75 Cr. 70 (MEF)
- against -	:	
JOHN M. KING and A. ROWLAND BOUCHER,	:	
Defendants.	:	

SENTENCING MEMORANDUM SUBMITTED FOR DEFENDANT JOHN M. KING

Of Counsel:

Michael F. Armstrong
Warren H. Colodner

BARRETT SMITH SCHAPIRO & SIMON
26 BROADWAY
NEW YORK, N.Y. 0004
212 422 9 90

Attorneys for Defendant John M. King

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

- x
:
UNITED STATES OF AMERICA,
:
Plaintiff, 75 Cr. 70 (MEF)
:
-against-
:
JOHN M. KING and
A. ROWLAND BOUCHER, :
:
Defendants. :
- x

SENTENCING MEMORANDUM SUBMITTED
FOR DEFENDANT JOHN M. KING

This memorandum is respectfully submitted on behalf of defendant John M. King for consideration by the Court in imposing sentence.

After a six week jury trial during which both defendants took the stand, there is no need to reiterate for purposes of sentencing, either the substance of Mr. King's testimony or his position at trial. Although Mr. King maintains that he did not engage in any fraudulent activities, the jury has decided otherwise.

This Court is also aware of much of Mr. King's personal background from his testimony at trial and that this nonviolent conduct constituted his first offense.

Additional facts have been disclosed to the Probation Department and presumably will be included in its presentence report, which at this writing has not yet been completed. We respectfully request the opportunity to comment on specific portions of the report when it is received by the Court and made available to the defendants.

The Court has also been the recipient of statements and charges made about Mr. King by the prosecutors in this case which go well beyond the confines of the indictment. Indeed, at every conceivable opportunity the Government has attempted to poison both the jury and this Court against Mr. King personally through the construction of a one dimensional portrait of a very complex man. Those in the Government who have invested their prestige, if not careers, in what appears to be an all out effort directed against John King can be expected to rationalize their fervor by characterizing their target in as unfavorable a light as possible -- readily discounting good things they hear about him and eager to believe the contrary. Such unsubstantiated and inflammatory material has no place in this proceeding and should have no impact on the sentencing decision.

Factors Relevant to the Imposition of a Term of Imprisonment

An examination of the most commonly cited sentencing criteria indicates that a jail term would serve little purpose in John King's case.

Specific Deterrence; Incapacitation

There is no need to confine Mr. King in order to incapacitate him. He is not dangerous and it is most unlikely that he will commit any other offenses in the future. The events of the past six years have left Mr. King and his former wife in personal bankruptcy and the family's assets are subject to liens of the Internal Revenue Service and the claims of innumerable litigants including, but not limited to, the Fund of Funds, which has instituted a civil action against Mr. King in this Court premised upon the Arctic revaluation. In that proceeding, and in other civil litigation in which he is a defendant, Mr. King has over the past two to three years been required by his personal financial condition to go forward without an attorney. Furthermore, on the eve of the trial of this case, the SEC moved to reactivate its Denver based injunction proceeding against Mr. King and others in which it seeks, inter alia, to bar him from engaging in the securities business. Far from being able to engage in similar transactions in the future, Mr. King and his family face many more years of contentious litigation.

Rehabilitation

We respectfully submit that neither John King, nor anyone else, should be sent to prison for rehabilitation. Imprisonment is punishment and should not be resorted to

on the dubious premise that it would be good for the person. In any event, the concept of rehabilitation is inapposite in Mr. King's case.

Education

The need to teach some lawbreakers a trade in order that they might more easily be absorbed in society is clearly absent in John King's case. He is highly competent, well educated and is motivated to assume a productive role in society for which he is well trained. A term in jail would be at best wasted upon him.

General Deterrence

It cannot automatically be assumed that a severe prison sentence will have a deterrent effect on potential lawbreakers.

> "In some situations, knowledge of a penalty may deter an individual tempted to violate a law; on the whole, however, the deterrent force of severe penalty alone for major crimes has been highly overrated and belief in its value is unrealistic. A stubborn reliance on deterrence results in making sentences increasingly severe, and excessively severe sentences produce deteriorating effects on prisoners, without corresponding benefits to society." Advisory Council of Judges of The National Probation & Parole Association, Guides For Sentencing, p. 2 (1957).

Moreover, the purely deterrent sentence should logically fall in the lowest range of sentences. As one noted commentator stated:

> "Deterrence, it is ventured, ought not to be thought of as the overriding and ultimate purpose of the criminal law, important though it is. For deterrence is negative, whereas the purposes of law are positive." Henry M. Hart, Jr., "The Aims of the Criminal Law", 23 Law & Contemp. Prob. 401, 409 (1958).

In contrast to the uncertainty as to the possibility of general deterrence, the efficacy of probation as a method of dealing with those who break the law is well established.

> "The Wickersham Committee urged that 'no man should be sent to a penal institution until it is definitely determined that he is not a fit subject for probation' . . . ." Seminar & Institute on Disparity of Sentences for Sixth, Seventh & Eighth Judicial Circuits, Highland Park, Ill. 30 F.R.D. 401, 443 (1961).

And Professor Hart observed:

> "It is first to be observed that the best possibilities of an imaginative and effective reconciliation of the community's interest and the individual's in fixing sentences will lie ordinarily in the use of [a suspended sentence]. To declare that the defendant is to be vulnerable to future punishment can be, in itself, an impressive expression of the community's moral disapproval. At the same time, the conditional suspension of the punishment, whether it be a fine or term of imprisonment, can provide an environment favorable to rehabilitation, both by conveying to the defendant a sense of the community's confidence in his ability to live responsibly and by giving him a special incentive to do so. It would seem to follow that a suspended sentence with probation should be the preferred form of treatment, to be chosen always unless the circumstances plainly call for greater severity." Henry M. Hart, Jr., "The Aims of the Criminal Law", 23 Law & Contemp. Prob. 401, 438 (1958).

We respectfully submit that the circumstances in this case do not call for the imposition of a severe penalty. The precise crime for which Mr. King has been convicted was

rather narrowly defined. The question presented to the jury was simply whether, in connection with the sale of the Arctic properties in December 1969, there was any one of six alleged secret side deals associated with either the Mecom or Consolidated Oil & Gas transactions. The Government requested and the Court charged the jury that it was not even necessary to prove that anyone relied upon the absence of such secret side agreements in order to establish a violation.

We believe it is fair to state that the securities fraud for which Mr. King has been convicted is lacking in the characteristics that normally cause an SEC case to be prosecuted as a criminal matter. This was not a case involving worthless stock or dummy corporations. This was no complex conspiracy to extract money from unsophisticated shareholders. No false records were concocted. In any classification of securities frauds, this also must certainly be considered to be among the least heinous and the closest to those for which civil sanctions are sufficient. In this regard, we believe that the following factors are relevant:

1. The evidence fairly supports the view that if Mr. King withheld certain material information about alleged side agreements, he did not do so with intention of harming anyone thereby. In fact, it appears basically uncontradicted that Mr. King sincerely believed that no one would be hurt as a result of the Arctic revaluation.

Although this Court ruled that evidence of Mr. King's personal belief in the value of the Arctic properties was not relevant to the question of whether or not there had been a material misrepresentation or omission, we respectfully submit that his belief is surely relevant to the seriousness of any such fraud.

Despite numerous witnesses called by the Government, the introduction of a myriad of documents in support of the prosecution's case, and the opportunity to examine Mr. King extensively at trial, none of the evidence and none of the testimony seriously challenged Mr. King's sincere enthusiasm about the potential of Fund of Fund's interest in the Canadian Arctic. Indeed, his confidence appears to have been shared at every level within the King complex, to say nothing of the industry as a whole, and exists today even among the principal actors in this tragedy, including many of the alleged victims. Even Dr. Armand Frederickson, who compiled dossiers of accusations against both of the defendants and launched what amounted to a personal crusade against them, testified that he believed strongly in the tremendous potential of KRC's Canadian Arctic property. In other words, this is not the more typical securities fraud case in which the defendant has misrepresented the value of worthless goods. Instead, it is a case in which the mechanics of the transactions, and not the value of the underlying asset were at issue.

Although people may have disagreed in 1969 with John King's belief as to the value of the Arctic, the evidence at trial demonstrated that the experts consulted by Fund of Funds shared the view that as of 1970 the Canadian Arctic permits were worth no less than 4 times what Fund of Funds had paid for its interest in 1968. For example, in July 1970, the Sproule organization estimated that Fund of Funds' interest in the Arctic was then worth approximately $4 per acre. Shortly thereafter, an interest in a small portion of this property was sold to a major international oil company at a price of approximately $64 an acre. Had the small portion of acreage (.003% of the whole) which was the subject of that sale been valued by Sproule in accordance with this transaction, the Sproule evaluation would have been increased to more than $5.50 per acre, as compared with the $8.01 per acre valuation placed on the property by the Arctic revaluation. Given the recent strikes in the Arctic and the proven potential of the particular property at issue, who is to say that the $8.01 figure was unreasonable in 1969.

2. Mr. King's faith in the value of the Arctic not only was sincere, but also was well founded. Although the Government attempted to deprecate the value of the Arctic permits at various points in the trial, primarily on the ground that a large percentage of the property was under water, the testimony demonstrated that much

of the permit acreage was accessible by slant drilling on land and that techniques for recovering offshore oil and gas in the Arctic were foreseeable in 1969 and have in fact been perfected since that time. Indeed, we are advised that many experts believe that the most promising sites for drilling in the Canadian Arctic today are offshore rather than onshore.

Furthermore, the defendants indicated at trial that they were prepared to offer evidence to the effect that Mr. King and others who had faith in the Arctic had underestimated its value in 1969 and 1970. More specifically, Harry Trueblood of Consolidated Oil & Gas was prepared to testify and to subject himself to cross-examination by the Government, that his company had within the past several months conducted a geologic analysis of the Arctic properties based upon recent drilling results and had concluded that the properties are worth several hundreds of millions of dollars.

3. The fraud for which Mr. King was convicted had no direct impact upon the alleged victims, who were hardly the typical victims of securities fraud. If the Government's theory is to be accepted in toto, John King managed to defraud one of the most sophisticated money management organizations in the world which had access, and in fact contacted, other experts in the oil and gas industry, to say nothing of industry and technical publications relating to the Arctic. Nor was John King's view so dissimilar from those of other experts.

For example, at the Second International Symposium on Arctic Geology held in San Francisco, California, February 1-4, 1971, which was attended by leading technical experts and governmental representatives, three principals of the Sproule organization, Messrs. Edgington, Campbell and Cleland, presented a paper on "Exploration and Production in Canadian Arctic Archipelago" which included an analysis of the economics of exploration in the Canadian Arctic. These experts placed before the conference an analysis of a postulated exploration program associated with a successful program on permits covering 3 million acres in the Canadian Arctic Islands. They estimated that the capital costs associated with such a program leading to a major oil discovery would be at approximately $15 million, and postulated a reservoir that contained 5 billion barrels of recoverable oil reserves, representing the lower limit of the initial estimate of the Prudhoe Bay reserves. Accordingly, they expected that a field might be located that, when fully developed, could be capable of producing a total of 500,000 barrels per day. Total investment for the producing facilities was estimated at approximately $260 million.

The authors then postulated that the oil recovered from the Arctic would be sold on the North American east coast at a price of $3.50 per barrel, considerably less than the current market price for oil. After deducting transportation from the wellhead to dock facilities in the Arctic and

then on to American east coast ports, they estimated a wellhead price to the owners of the acreage of approximately $1.70 per barrel. Operating costs were conservatively estimated to run approximately $.16 per barrel over the production life of the field. Based upon a 15% present worth of future income, and the estimated production and costs, the Sproule people valued the postulated acreage at $550 million. The authors then stated that if the risks associated with the venture were taken into account by arbitrarily taking only 20% of this value (in other words, discounting the $550 million by 80%) the reservoir would be worth in excess of $100 million, which would be equivalent to $33 per acre for the total 3,000,000 permit acres. The authors then added that even if the wellhead price were reduced to $1.00 per barrel, their assumptions would still support a valuation of approximately $16.50 per acre. They concluded with this statement:

> "Thus, although the costs and risks are high in the Arctic, the potential rewards certainly appear to be commensurate."

Surely they would have been even more optimistic had they, as Mr. King already had stated on the record, foreseen a future oil shortage and resultant higher prices.

It must be remembered that while the Sproule presentation to the international conference was based upon one 3,000,000 acre exploration program, in 1969 KRC and FOF held in excess of 22 million net acres in the Canadian Arctic on which at least 5 or 6 large structures had been located. In short, we submit that

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the Sproule paper confirms that Mr. King's enthusiasm for the Canadian Arctic was reasonably based. Otherwise, the Sproule organization would not have believed that in early 1971 it was perfectly appropriate to postulate the economics of exploration in the Canadian Arctic by comparing the area to the Prudhoe Bay acreage, which was what Mr. King has been suggesting in 1968 and 1969. In fact, we now know that the acreage held by KRC and Fund of Funds may prove to be worth considerably more than either the Sproule or KRC organizations estimated.

One fact that is clear from the record and from what the experts have stated is that prior to December 31, 1969 the Arctic properties of Fund of Funds were significantly undervalued. Holders of shares in Fund of Funds were entitled to have their interests reflect the actual value of the Arctic acreage. Thus, some revaluation was necessary. The effect of the Arctic revaluation was to recognize the increased value of the investment for all the shareholders of Fund of Funds. Thereafter, and until August 7, 1970, each and every shareholder of Fund of Funds had an opportunity to redeem his or her securities at a price which fully reflected the valuation placed on the Canadian Arctic in December 1969. Many shareholders actually realized that price when they redeemed their shares. Those who continued to hold interests in the natural resource properties beyond that date must have decided to speculate, together with Sun Oil and the other sophisticated investors in the oil business who obtained

or retained interests in the acreage, that the Canadian Arctic interests of Fund of Funds would eventually be worth considerable sums of money. If these investors have continued to retain their interests until the present, their confidence will have been rewarded.

While the Government has tried to paint a picture of thousands of defrauded stockholders, many of the stockholders of Fund of Funds directly benefitted from the revaluation. The fact that Fund of Funds experienced significant net redemptions during 1970 is not traceable to the Arctic revaluation, but rather, as Mr. Conwill testified, to the declining stock market, the tendency of investors to liquidate their mutual fund investments during such periods, and a lack of confidence in the IOS organization as a whole. If anything, the revaluation may have slowed down the rate of redemptions and provided Fund of Funds with an opportunity to attract additional investors in an otherwise difficult period for the mutual fund business. We do not know on the state of this record how much the redemptions would have been had there been no Arctic revaluation or, for that matter, whether any additional investors would have been attracted during 1970 had there not been growth in the natural resource properties account.

4. Just as there were no defrauded victims in the classic sense, John King did not obtain any direct benefit from his alleged misrepresentations. This is not a case where a defendant swindled money from the pockets of

unsuspecting victims and put it in his own. The most that the Government has shown was that John King did whatever he did in order to retain he good will of a valued customer. Unknown to John King, that customer was experiencing an internal management and financial crisis, and great pressure was placed on KRC to conclude a sale which could enable Fund of Funds to effect a sizable revaluation. It is ironic, if not unjust, that under such circumstances the principals of IOS and Fund of Funds remain not only unscathed, but also are portrayed by the Government as hapless victims.

The Government's emphasis at trial upon John King's stockholdings was misleading. John King was an extremely wealthy man even before his companies began doing business with Fund of Funds. While KRC's increased earnings resulted in a larger paper profit for Mr. King, his KRC holdings are now worthless and the revaluation itself did not result in any increase in the value of those holdings. To the contrary, 1970 witnessed a collapse in the market prices of KRC stock.

5. For allegedly sophisticated criminal conspirators, these defendants were remarkably open and guileless with respect to covering up their actions. No government witness testified that either defendant ever told him not to discuss the transactions in which he was involved. Although practically everyone in the case was represented by the same auditor, Arthur Andersen, no attempt was made to insulate

witnesses from inquiries which the defendants obviously must have anticipated. Whatever actions the defendants took, they could not have hoped that such actions would go undetected when people like Mecom, Marriott, Hulsey, Lowry, Frederickson, Trueblood, Bennett King, Coffey, Davis and Cowett knew all about them. The fact is that the defendants took no steps to cover their tracks because they were not conscious of the need to do so.

6. The SEC's decision to pursue Mr. King as tenaciously as it has was obviously affected by the exaggerated and speculative accounts of his fall which appeared in books, magazines, and newspapers. King was a natural target for civil litigants intent upon fixing blame, and their conjectures fed newmen and writers intent upon sensation. However, the major investigations of King's activities have come to nothing. The original Denver investigation had so little substance that a grand jury failed to find enought even to initiate prosecutions. The major thrust of the investigation leading to this case has been stated by the Government to have been the defrauding of FOF but the evidence adduced at trial shows that alleged fraud to have been -- at its very worst -- normal sales puffery. What is left is an antiseptic, hypertechnical "fraud" which would have been left to the civil courts were it not for the surrounding coloration provided by allegatios for which there is no proof.

It is respectfully submitted that the facts of this case do not warrant serious criminal penalties.

Retribution

John King's conviction is not the kind that has in the past called for retribution. It is his first offense. The crime is not only nonviolent but, as discussed above, is a particularly pallid example of so-called "white collar" offense. He represented no threat to the physical security of anyone and only in an indirect sense did his offense impugn upon the property of others. For a crime of this sort, John King has already suffered enough. For more than six years now Mr. King and his family have been subjected to endless investigations of both their business and personal lives and have been ruled by court calendars rather than normal schedules. In no small part as a result of these investigations, Mr. King is now separated from his wife and his family has been broken up, 3 of his 4 children having been placed in his custody. His previous family life was exemplary and no one can say of him that he was anything but a devoted husband and father. The destruction of his family, following his financial ruin, should be enough retribution if anyone feels that such a consideration is relevant.

Both Mr. King and his family have had tax liens placed on their assets and Mr. King, who is in personal bankruptcy and faces substantial objections to any discharge therein, is also a defendant in numerous lawsuits in which he is exposed

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to claims amounting, in the aggregate, to hundreds of millions of dollars. At least two of these lawsuits relate to the Arctic revaluation, one of which has been instituted on behalf of Fund of Funds. Of course, the conviction in this case greatly improves the positions of the plaintiffs in these other litigations and increases the possibility that restitution will be made by Mr. King to the extent that he is able to respond to any judgment that might be obtained. Similarly, the conviction also aids the SEC's position in its injunction action pending against Mr. King in Denver. If, as the Government argues, the defendants' motivation was greed, surely the personal suffering and economic collapse that Mr. King has experienced is relevant to his sentence.

In any event, simple retribution is no longer looked upon with favor. As Judge Herlands states:

> "The desiderata of a sentence are public protection, deterrence, and correction of the offender. Retribution, which views the sentence as a punitive end in itself and tends to equate each crime with an appropriate penalty prescribed in advance, has generally ceased to be a major function of the sentencing process.' Herlands, When and How Should A Sentencing Judge Use Probation, 35 F.R.D. 487, 492 (1964).

Finally, we feel compelled to express to the Court on behalf of our client, the concern that recent and unrelated events might quite unconsciously lead to a more severe sentence for Mr. King than might otherwise have been imposed. We are sure that this Court would

agree that the fact that a well considered decision in another case results in some critical comments should not adversely affect another individual. We express this concern only after full recognition of and respect for the seriousness with which the judges of this district approach sentencing and the extent to which this Court in particular has studied and written about the problems in this area.

CONCLUSION

For all the foregoing reasons we respectfully submit that the Court should impose a suspended sentence on Mr. King and place him on probation.

Dated: New York, New York
September 2, 1976

Respectfully submitted,

BARRETT SMITH SCHAPIRO & SIMON
Attorneys for Defendant John M. King
26 Broadway
New York, New York 10004
(212) 422-8180

Of Counsel:

Michael F. Armstrong
Warren H. Colodner

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

- -x

UNITED STATES OF AMERICA,

Plaintiff,

-against- 75 Cr. 70 (MEF)

JOHN M. KING and
A. ROWLAND BOUCHER, AFFIDAVIT OF SERVICE

Defendants.

- -x

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

CHARLES WANGER, being duly sworn, deposes and says that deponent is not a party to the action, is over 18 years of age and resides at West Hempstead, New York. That on the 2nd day of September, 1976, deponent served the within Sentencing Memorandum Submitted for Defendant John M. King, in this action by personally delivering copies of same to the following persons:

Hon. Marvin E. Frankel
United States District Court
Southern District of New York
U.S. Courthouse
Foley Square
New York, New York

John R. Wing
Assistant United States Attorney
1 St. Andrew's Plaza
New York, New York 10007

Joseph Veltrie
Probation Officer
United States District Court
Southern District of New York
U.S. Courthouse
Foley Square
New York, New York

Andrew Maloney, Esq.
630 Fifth Avenue
New York, New York

Clerk
United States District Court
Southern District of New York
U.S. Courthouse
Foley Square
New York, New York

Charles Wanger

Sworn to before me this
2nd day of September, 1976.

NOREEN MARIE McDONAGH
Notary Public State of New York
No. 24-4523015
Qualified in Kings County
Commission Expires March 30, 1978

A 795

A 795

BARRETT SMITH SCHAPIRO & SIMON

26 BROADWAY

NEW YORK, N. Y. 10004

(212) 422-8160 CABLE: ROOTBAR
INTERNATIONAL TELEX: 66420

OREN ROOT
COUNSEL

ROBERT F. AMBROSE
MICHAEL F. ARMSTRONG
JOHN J. BARRETT
DAVID D. BROWN III
WARREN H. COLODNER
MICHAEL O. FINKELSTEIN
MORTON E. GROSZ
GORDON D. HENDERSON
RICHARD M. LEDER
LAWRENCE NIRENSTEIN
GERALD A. NOVACK
ALFRED T. OGDEN II
DONALD S. RICE
MARTIN F. RICHMAN
CARL F. ROGGE, JR.
DONALD SCHAPIRO
EDMUND R. SCHROEDER
DAVID SIMON
W. MASON SMITH
ARTHUR D. SPORN

September 3, 1976

Honorable Marvin E. Frankel
United States District Judge
Southern District of New York
U.S. Court House
Foley Square
New York, New York

Re: United States v. King

Dear Judge Frankel:

I am enclosing a letter from an alternate juror, Thomas Galgano. Defense counsel spoke to Mr. Galgano in the Court House after he was excused at the trial and several times following the verdict. I informed Mr. Wing of our conversations.

Mr. Galgano told us a number of things about the conduct of the jury during the case, including the fact that they had continually discussed the case from the first day, had no understanding of the evidence and had developed an antagonism towards the defendants virtually from the outset. We decided that under the current state of the law a legal motion based on Mr. Galgano's comments was not worthwhile. However, I think it is relevant for the Court to take Mr. Galgano's observations into account for purposes of sentencing. I respectfully suggest that these observations help put into perspective a verdict which was reached with such swiftness that it might be interpreted as reflecting overwhelming proof of guilt. In fact the verdict seems

to have reflected a combination of indifference to the fate of the defendants, a lack of understanding of the proof and a desire to finish before the holiday weekend.

Respectfully,

Michael F. Armstrong

A 797

September 3, 1976

Honorable Marvin E. Frankel
United States District Judge
Southern District of New York
U.S. Court House
Foley Square
New York, New York

Re: United States v. King

Dear Judge Frankel:

Mr. Armstrong has asked me to write to you in connection with sentencing of the defendants, John King and Rowland Boucher. He has asked me to give you some of my observations as an alternate juror in the case.

As I told Mr. Armstrong at the end of the trial, the jury discussed the facts of the case throughout the trial. They were greatly awed from the beginning because of the amounts of money involved and the wealth of the defendants. From the start of the trial the opinions expressed by the jurors were not objective but were very critical of the defendants. It did not seem to me that the defendants were ever given any benefit of doubt.

The evidence presented during the case was greatly confusing to people who had no background in the kind of business transactions involved. It is my opinion, based on the jury's conversations, that many of the jurors were confused by the issues and didn't understand the evidence.

As the case progressed some of the jurors became tired and aggravated at the length of time it was taking. As the Fourth of July weekend approached this feeling increased. When you advised the jury that they would be sequestered, certain members of the jury expressed bitterness. One juror had rented a camper for the weekend and only one juror came to court on the last day prepared to stay overnight.

I did not know at the end of the trial, and I do not know today, how I would have voted if I had been given the opportunity. In my opinion, there was a lot of doubt in the case and the only way to resolve that doubt would have been to review at least some of the evidence. I was shocked to hear that the jury decided the case without asking for any testimony or documents.

Respectfully yours,

Thomas S. Galgano

403 Cedar Ave.
Upper Nyack, N.Y. 10960

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Neal Merritt

The original of attached will be retained in my valuable papers in my Chicago office vault until Jan 1, 1972

Jim Bohn

Jim Friend
Rec'd mat to write
opts for inventory

Rec. Feb 28
10-~~2-7~~-72

Executed Feb 1970
Filed May 1970

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December 24, 1969

Mr. John W. Mecom, Sr.
P. O. Box 2566 .
Houston, Texas 77001

Dear Mr. Mecom:

This is to confirm my agreement with you in connection with your purchase from King Resources Company of approximately 347,883 net acres of oil and gas exploration permits in the Canadian Arctic Islands for $7.50 per acre plus $7.50 per acre in work obligations under the terms of an agreement with King Resources Company dated December 24, 1969.

I have agreed to provide sufficient net cash receipts to be paid to you to enable you to make all payments on your said contract with King Resources Company through payments due in October, 1971.

At any time after October 1971 up to December 31, 1971, I have also agreed that if you so request and assign to me your interest to said permits, I will assume and pay and hold you harmless from all obligation to pay all amounts due King Resources under said contract subsequent to October, 1971. Provided that if, prior to October 1971, you are afforded an opportunity to sell your interests at a price in excess of your costs, my furtner obligations hereunder shall cease.

This letter will be held for our mutual account by Timothy G. Lowery of Peterson, Lowry, Rall Barber & Ross of Chicago, Illinois.

Yours very truly,

_____

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EX1-OA 801

HAROLD J. GALLAGHER
LOUIS F. CARROLL
MARK F. HUGHES
WALLACE H. BROWN, JR.
WALSTON S. BROWN
HELMER R. JOHNSON
BUMNER G. KITTELLE
ETHAN ALLEN
SIDNEY L. SMITH
ROBERT B. HODES
ALLAN F. CONWILL
ALLAN TRUMBULL
LAWRENCE S. PRATT
VINCENT R. FITZPATRICK
HENRY L. UGHETTA II
BRIAN M. O'BRIEN
KENNETH J. BIALKIN
DAVID B. REA
WILLIAM T. SULLIVAN
HARLEY L. SPERRY
LOUIS A. CHACO
JOSEPH L. BROADWIN
THOMAS L. BRYAN
JAMES S. BROWN, JR.
MICHAEL G. MARKS
STEPHEN B. FLOOD
JAMES B. SITRICK
LOUIS L. HOYNES, JR.
ANTHONY F. PHILLIPS
PHILIP D. CORSI
RAYMOND W. MERRITT
CHARLES T. KINGSON

WILLKIE FARR & GALLAGHER

1 CHASE MANHATTAN PLAZA

NEW YORK, N.Y. 10005

JOSEPH M. CALLAHAN
CHURCHILL RODGERS
THOMAS N. TARLEAU
COUNSEL

RECEIVED

JUN 11 1970

TELEPHONE
AREA CODE 212
422-3100

CABLE ADDRESS
"CONVEYANCE"

TELEX: 223760

June 9, 1970

VIA AIR MAIL

Mr. Roland Boucher, President
King Resources Company
3100 Security Life Building
Denver, Colorado 30202

Dear Roland:

I am enclosing for your information a final copy of the letter you were kind enough to discuss with me at length last Sunday.

In addition, I am enclosing a copy of a memorandum prepared by Ed Cowett on the means of valuation of the ~~Arctic~~ properties of the Natural Resources Fund. I would be grateful if you could review this enclosure as promptly as possible and telephone me as to its accuracy or any comments you might have. As I mentioned to you Sunday, Mr. Charles Bulmer of the Sproule organization requested a memorandum explaining the Arctic valuation in connection with the independent valuation that organization is doing for us and I thought the memorandum prepared by Ed would serve his purpose.

With best regards, I am

Sincerely,

Allan F. Conwill

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Enclosures

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HAROLD J. GALLAGHER
LOUIS F. CARROLL
MARK F. HUGHES
WALTER H. BROWN, JR.
WALSTON S. BROWN
HELMER R. JOHNSON
SUMNER S. KITTELLE
ETHAN ALLEN
SIDNEY L. SMITH
ROBERT B. HODGES
ALLAN F. CONWILL
ALLAN TRUMBULL
LAWRENCE J. PRATT
VINCENT H. FITZPATRICK
HENRY L. UCHELLA II
BRIAN M. O'BRIEN
KENNETH J. DIALKIN
DAVID B. REA
WILLIAM T. SULLIVAN
HARVEY L. SPERRY
LOUIS A. CHACO
JOSEPH L. BROADWIN
THOMAS L. BRYAN
JAMES S. BROWN, JR.
MICHAEL G. MARAS
STEPHEN A. FLOOD
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LOUIS L. HOYNES, JR.
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PHILIP D. CORSI
RAYMOND W. MERRITT
CHARLES I. KINGSON

WILLKIE FARR & GALLAGHER

1 CHASE MANHATTAN PLAZA

NEW YORK, N.Y. 10005

JOSEPH M. CALLAHAN
CHURCHILL ROGERS
THOMAS N. TARLEAU
COUNSEL

TELEPHONE
AREA CODE 212
422-3100

CABLE ADDRESS
"CONVEYANCE"

TELEX: 223780

June 8, 1970

To Each Present or Recent Director of
The Fund of Funds, Limited ("FOF"), namely

Messrs. Edmund G. Brown
Bernard Cornfeld
Pierre A. Rinfret
Eric D. Scott
C. Henry Buhl III
Edward M. Cowett
James Roosevelt
Wilson W. Wyatt

Re: Payments to King Resources Company ("King Resources") by F.O.F. Proprietary Funds, Ltd. ("FOF Prop") in respect of Natural Resources Fund Account ("Natural Resources Fund")

Dear Sirs:

The purpose of this letter is to clarify misconceptions concerning certain payments by FOF Prop for the account of King Resources and its subsidiaries and affiliates in respect of the Natural Resources Fund. The plural is deliberately emphasized, for to hear one prevailing description one might conclude that there was a sudden, single unwarranted payment of $20 million to King Resources. The fact is that there were three separate payments aggregating approximately that figure. In our opinion there was no impropriety about any of the payments, nor anything that can be fairly characterized as unusual concerning the first two. Indeed, it was and is our opinion, as more fully set forth below, that such payments were important.

The first payment totaled $6,139,383.60 and covered invoices summarized under date of April 30, 1970 by R.L. Davis, Vice President and Controller of King Resources, and funded by

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a transfer on May 13, 1970 of $6.3 million from FOF Prop to Natural Resources Fund. The second was for $6,086,205 covering invoices so summarized under date of March 31, 1970 and funded by a transfer on May 14, 1970 of $6 million from FOF Prop to Natural Resources Fund. The last (the "Third Payment") aggregated $7,725,037.80 covering invoices similarly summarized under dates of May 26 and May 27, 1970 funded by another FOF Prop - Natural Resources Fund transfer on May 28, 1970. We believe that the payments covering the April 30th and March 31st summarized invoices were authorized (and properly so) by Mr. Hammerman, though possibly it was Mr. Cowett. The Third Payment was authorized by Mr. Buhl after consultation with us.

The more serious misimpression which has been created, evidently through inadvertence or lack of factual familiarity or both, is that the payments were (1) for new property acquisitions, (2) made contrary to the explicit instructions of the FOF Board, (3) made over the objection of The Bank of New York, as custodian, and (4) not legally required. All four facets are incorrect.

First, the payments were not for new property interests to be acquired. They were expenses already incurred by FOF Prop in connection with interests already owned. The payments represented the Natural Resources Fund's share of cash outlays actually made or to be made or reimbursed to coventurers by King Resources or its subsidiaries or affiliates, invoiced in every case, for such items as geochemical analyses, consulting fees, 1969 lease purchase expenses, lease rentals, data processing services, payroll, equipment, material, fuel, field work and other tangible drilling expenses, in varying amounts ranging from $3.36 (for map reproduction) to thousands of dollars. The expenses are predominantly related to gas and oil exploration and development, though some relate to sulphur and uranium prospects, in such areas as Canada, Texas (inland and offshore), Louisiana, Arkansas, Mississippi, Oklahoma, Colorado, North Dakota, Montana, Utah and Wyoming.

Copies of the supporting invoices we have examined number literally hundreds of pages enumerating many thousands of separate expense items. Furthermore -- and this is vital for present FOF Board members to understand -- these were by no means the first of this type of expense paid by the Natural Resources Fund, nor will they be the last so due and payable. Many additional and substantial expenses of the same nature have been and will be incurred.

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Second, we are not aware that payments of this nature were contrary to any instructions of the FOF Board, explicit, direct, indirect or otherwise. The minutes of FOF Board meetings reflect no such direction. The undersigned was present at all meetings since creation of the Natural Resources Fund, and I recall no such direction. Perhaps these payments are being confused with the specific instruction given at the last meeting to Mr. Seligson to conserve cash of IPI and to make no payments in the absence of binding legal obligations to do so. Even this is not germane, however, for the payments here in question are believed to have resulted from binding legal obligations to pay.

Third, to the best of our knowledge The Bank of New York never challenged the propriety or legality of the payments. At most, it made the usual inquiry of cautious custodian banks to assure itself of properly authorized signatories and that the documentation was in order. In addition, during the afternoon of May 28, 1970 I was called by a lawyer from Sullivan & Cromwell, one of the counsel for the bank, who asked if I knew of a "$7 million payment" by the bank to King Resources. It developed that he was referring to the Third Payment. I asked if he had any reason to question it. He said no, but in view of all the IOS publicity he thought due diligence required an inquiry. I offered full particulars, and he asked to talk further the following day. I was to take a holiday that day, so we left it that he would call the following week to set up a meeting. He never called.

Fairness requires the observation that it is not the obligation of a custodian to inquire as to the propriety of a payment. So long as an order for payment is properly documented and signed by authorized signatories, a custodian has no choice but to pay as directed. Indeed, the bank custodians with which we are familiar are careful to see that their role involves no discretionary authority and especially that they have no duty to inquire substantively beyond the literal language of the payment orders.

Finally, we are at a loss to understand any assertion of illegality as to the payments. As before indicated, only the Third Payment can be claimed to be even unusual. Prior to authorizing it Mr. Buhl questioned it and consulted with us concerning it. We do not believe he questioned the legality, but rather the timing and the appearances in view of the immediate pendency of the then anticipated King closing. Mr. Lowry, the principal King Resources counsel, was insistent, if

not adamant, that the Third Payment be made forthwith on the ground that he did not want his client to take control of IOS and follow assumption of control almost immediately by causing a substantial payment to his client. Mr. Lowry felt that this would necessitate difficult explanations of an entirely proper transaction to the S.E.C. and others which could be too easily misunderstood and misinterpreted by the press.

This struck us as a valid reason for a perhaps faster than normal Third Payment which the Natural Resources Fund was legally obliged to pay in any event. Among other things, criticism resulting from this type of misunderstanding is two-directional and could be equally directed at IOS and FOF. In addition, failure to pay upon repeated requests by Lowry (and King Resources) might have been construed as a breach of the implied condition of co-operation between IOS and King Resources which was a part of the King Resources-IOS agreements. If failure to pay could have been sustained, the consequences could have been extremely serious to the entire IOS structure. Quite apart from the King Resources-IOS agreements, however, the mere institution of litigation on the payments in the then existing climate (or, for that matter, in the present climate) would have had a most adverse public impact on FOF. Accordingly, we advised Mr. Buhl that the Third Payment should be paid to the extent that amounts were verifiable. We are advised that Mr. Dickieson included the following legend in the cable transfer of the $7,725,037.80:

> "Advanced against outstanding invoices as of May 27, 1970 due to King Resources and/or subsidiaries from the FOF Prop Funds Ltd. subject to final verification and approval of such invoices by appropriate officers of FOF Prop Funds Ltd."

Should ultimate audits show that back-up papers for the thousands of invoice items reveal inaccuracies and that the Natural Resources Fund paid too much (which we have no reason to believe), we would clearly have valid offsets for the full amount of any possible overpayment against future payments due. And again we emphasize that FOF directors must understand that substantial future payments of the same nature will be required.

We would be remiss not to add this final observation. Any relationship such as that between Natural Resources Fund and King Resources would be impractical, if not impossible, without at least some trust being reposed in the managing venturer. Were this not to be, it should never have been initiated at the outset in April of 1968. And as it progressed, if

there were any reasons to doubt the operational veracity of the managing venturer, top management would have been derelict to permit the relationship to continue for over two years.

Illustrative of the necessity of such trust is the total lack of feasibility of a check by Natural Resources Fund prior to payment to see that there were sufficient supporting documents for each or even a sampling of the thousands of invoice items. Legality aside, would it be conscionable for it to withhold payment while it assured itself that six gaskets for couplers costing $13.80 (Canadian) were in fact acquired and paid for in a Baffin Island venture in which it had a 10% interest, or that $21.20 in delay rentals was actually paid in a prospect in which it had a 50% interest in Yoakum County, Texas? In short, in our opinion it would be extremely hazardous to base a refusal to pay on anything other than a reasonable basis for a belief in inaccuracy. Certainly it would be unwise to risk litigation by challenging routine and prima facie valid invoices because of mere suspicion or an instinctive belief in falsity.

Copies of this letter are also being sent to those non-FOF directors who, we understand, are currently active in the senior management of IOS and to staff counsel, namely Sir Eric Wyndham White and Messrs. Cantor, Felberbaum, Hammerman, Coughlin and Leary.

Very truly yours,

Allan F. Conwill

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Exhibit 10

May 10, 1976

FOR: ALLAN CONWILL

FROM: Edward M. Cowett

SUBJECT: Natural Resources Fund Arctic Transaction

In 1968 and early 1969, the Natural Resources Fund sub-account of F.O.F. Proprietary Funds Ltd. acquired a 50% interest in oil and natural gas permits covering a net of approximately 23 million acres spread throughout the Canadian Arctic Islands. The other 50% interest was held by King Resources Company and its subsidiaries. The acreage was acquired by the Natural Resources Fund at prices ranging from 75¢ an acre to $2.00 an acre.

By late 1968, there had been substantial discoveries of oil in the North Slope area of Alaska. There was growing speculation that comparable reserves of oil would be found in the MacKenzie River delta and Arctic Islands areas; various consortia were formed for the purpose of acquiring oil and natural gas permits in the MacKenzie delta and Arctic Islands areas, as well as for the purpose of performing wildcat exploration work.

In the Spring and Summer of 1969, sufficient exploratory work had been performed in the Arctic Islands area to indicate that hydrocarbons (natural gas and/or oil) were present in the area.

The value of oil and natural gas permits substantially increased, as evidenced by the increasing prices paid by independent and major oil companies for permit acreage.

It became obvious to the Directors of The Fund of Funds, Limited that the Arctic acreage (which was carried at acquisition cost for purposes of net asset computation) was carried at an unrealistically low figure. In their view, it was just as wrong to undervalue an asset as it would have been to over value an asset. Accordingly, a decision was made by the Directors that the Natural Resources Fund sell a sufficient portion of the Arctic permit acreage as might be appropriate for purposes of effecting an overall revaluation of the remaining acreage. The Directors further determined that the entire process should be worked out in advance with Arthur Andersen & Co., auditors of both FOF and F.O.F. Proprietary Funds Ltd. so that any revaluation might be effected on sound bases. At that time (early Summer of 1969) a bid had been received from a major oil company to acquire a 25% interest in the total Natural Resources Fund/King Resources Company acreage holdings; the bid was at a price of $5.15 per acre.

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When reviewing the matter with Arthur Andersen & Co., an opinion was obtained from their Canadian office that any profit realized by the Natural Resources Fund on a sale of the Arctic acreage would be subject to a 58% Canadian tax. FOF then retained both U.S. and Canadian tax counsel to study the problem and to determine if the tax liability might be avoided. While these legal reviews were proceeding, negotiations were broken off with the oil company that had made the pending offer.

It was finally determined by tax counsel that there was one method by which the 58% tax liability could be successfully cut to an approximate 16% tax liability. This was dependent upon the ability of the Fund to free itself of any obligation to bear any portion of the costs of exploring and developing the Arctic acreage. (The expenditure of as little as $1 in exploration and development costs would subject the Fund to an ordinary income tax liability equal to 58% of profits; assuming no such costs were borne by the Fund, its holding could be restructured into a passive investment which would subject the Fund to an approximate 16% tax on ultimate profitability.)

In addition to the acquisition price that the Fund had paid for the acreage, as a condition of the exploration permits granted by the Canadian government the Fund was obligated to pay for certain exploratory work ("work obligations"). These work obligations, involving nearly $10 million, had to be shifted away from the Fund as part of restructuring the holding to avoid the 58% Canadian tax liability.

After several months of study and review, both U.S. and Canadian tax counsel, as well as Arthur Andersen & Co., were in agreement as to the appropriate structuring of a sale which (i) would relieve the Fund of bearing any exploration costs in respect of the acreage (ii) would insulate the Fund from a 58% tax on profits made, and (iii) would be appropriate as a basis for a sound revaluation. The matter was reviewed in depth with the FOF Directors.

In the meantime, further promising developments encountered by other holders of permits in the Arctic Islands had led to a series of sales at in excess of $10 an acre.

In November and December of 1969, the final negotiations were held with respect to the sale of a 10% interest in the Arctic acreage holdings of the Natural Resources Fund. It was agreed that the Fund would sell 10% of its holdings to a group of three purchasers. Consolidated Gas & Oil Company, a Denver, Colorado-based oil company (the stock of which is listed on the American Stock Exchange) agreed to purchase a 6½% interest; John Mecom, a well-known independent Texas oil "millionaire" agreed to purchase 3½%; and Lakeshore Associates, a Chicago, Illinois-based investing partnership agreed to purchase ½ of 1%.

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The gross sale price was $14.12 per acre. The price was paid in: (i) a cash down payment of approximately $800,000; (ii) an agreement on the part of the purchasers to relieve the Fund of all work obligations; and (iii) a series of interest-bearing promissory notes payable in installments running through to 1976. (The purchasers are already expending monies on exploration on the acreage; a full-scale exploration and development program commenced early this Spring.)

In revaluing the property, the $14.12 per acre gross sales price was discounted to reflect (i) the use of money factor arising because of the installment nature of the purchase price, (ii) the discounted value of the work obligations assumed by the purchasers on behalf of the Fund, (iii) taxes at the approximate 16% effective rate, (iv) an overriding royalty interest of 12½% to King Resources Company and (v) the profit-sharing management fee payable by the Fund to an IOS subsidiary. This discounting process worked out to a net valuation of $8.01 per acre -- at which the remaining holdings of the Natural Resources Fund are now valued.

Independent of this discount process, a check was made of prices paid in other sales transactions involving permits covering other Arctic Islands acreage. It was found that within the months immediately preceding the transaction by the Fund, acreage had been sold at prices ranging from $10 per acre upwards. This tended to demonstrate that the $8.01 net carrying value was a reasonable and conservative one.

It should be understood that specific acres were not sold to Consolidated Gas & Oil Company, John Mecom and Lakeshore Associates. Rather, they have an overall 5% interest in the 23 million net acres previously held on a 50/50 basis by the Natural Resources Fund and King Resources Company. (5% of the whole is equivalent to 10% of the Fund's original 50% holding.)

One further technical note is appropriate: for tax reasons, the contract to sell was executed in 1969, but the actual sale took place on the first business day of 1970. On the day when the contract to sell was executed, King Resources Company delivered title to the property being purchased by Consolidated Gas & Oil, John Mecom and Lakeshore Associates for consideration equal to what the Fund was to obtain; and, on the first business day of 1970, the Fund transferred in accordance with its contract title to an equivalent amount of property in exchange for the purchase price under the contract.

Part of the problem in understanding the transaction is the dramatic effect which the transaction had on FOF. It is highly unusual for a fund to have any single holding that can have this kind of effect. Nevertheless, the transaction was necessary to avoid a serious and continuing under valuation of FOF assets.

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Additional sales of a portion of the Fund's interest in the Arctic acreage are presently being negotiated. These sales are expected to be at prices slightly in excess of the year-end transaction. Also, because the structuring of the first sale has cured the Fund's tax exposure, it is contemplated that any subsequent sales will be for cash and cash equivalent.

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AGREEMENT

THIS AGREEMENT dated this day of December, 1969, by and between KING RESOURCES COMPANY, a Maine corporation, hereinafter called "KRC", and JOHN W. MESCON, hereinafter called "Purchaser".

WITNESSETH:

WHEREAS, KRC is the owner of or has certain rights to acquire varying undivided interest in Canadian Federal Oil and Gas Exploration Permits, (the "Permits") covering approximately thirty-five million six hundred fifty-three thousand two hundred thirty-four (35,653,234) gross acres or twenty-two million two hundred sixty-four thousand four hundred ninety-five (22,264,495) net acres, all as more completely described in the Schedule attached hereto as Exhibit "A"; and,

WHEREAS, KRC proposes to conduct an exploration program in, under and upon the Permits; and

WHEREAS, it is the desire of the Purchaser to obtain an undivided interest in the Permits as set forth in Exhibit "A", or any leases issued in exchange therefor and to participate with KRC in the exploration program pursuant to the terms and conditions as hereinafter set forth,

NOW, THEREFORE, it is agreed between the parties hereto as follows:

1. Upon and subject to the terms and conditions and for the consideration hereinafter set forth, KRC agrees to sell and convey to Purchaser and Purchaser agrees to purchase and pay for an undivided 1/54th of KRC's working interest in and to the Permits or any leases issued in exchange therefor as described in Exhibit "A" attached hereto and by this reference made a part hereof. In the event that KRC owns less than the full working interest in any of the Permits, the interest conveyed to the Purchaser shall be proportionately reduced, intending that Purchaser shall own an interest equivalent to undivided 1/

Marriott #1

acres in said Permits. The interest sold herein shall be made subject to its proportionate share of all royalties, overriding royalties and other burdens on production which are presently existing or which may be created pursuant to the rules and regulations of the Canadian government relative to the issuance of oil and gas leases and leases for lands lying within the Canadian Arctic.

2. Purchaser agrees to pay to KRC as consideration for the purchase of the above property, $2,609,120.50 (the "Purchase Price").

3. In the event any assignment of the Permits or any of the leases issued in exchange therefor which is contemplated by this Agreement, is not approved by the Canadian government or which cannot be made because of laws and regulations of the Canadian government, then until such assignment is approved or can be made (and both parties agree to use their best efforts to obtain such approval or to create such conditions so as an assignment can be made) KRC shall, if requested by Purchaser, acquire Purchaser's working interest in exchange for a non-working interest having so far as possible, equivalent economic burdens and benefits.

4. Purchaser agrees to pay to KRC 12.50% of all costs of exploration required to earn and maintain said Permits up to a total of $2,609,120.50. After a total of $20,872,964.00 has been expended on said exploration work, Purchaser shall pay its ratable share of all future expenditures relating to the Permit areas.

5. The parties shall enter into an operating agreement naming KRC as Operator, such agreement to be in a form customary in the industry but with the expressed provision that the parties shall elect not to be excluded from the provisions of Sub-Chapter K of Chapter 1 of Subtitle A of the United States Internal Revenue Code of 1954, so that each party may claim and deduct in full for United States income tax purposes all deductible items for which that party has made payment. In addition, the operating agreement shall provide that at such time as the initial $20,872,964.00 has been expended on exploration work, additional exploration work or development work may be conducted but if any party not desire to participate in such additional work, then the

consenting parties may proceed to do so under the terms of a "non-consent clause". The operating agreement will further provide that should any party to the operating agreement desire to surrender or relinquish its interest, the remaining parties may at their election acquire their prorata share of the surrendered or relinquished interest.

6. Payments of the Purchase Price and for exploration work shall be made in the following amounts and on the following dates:

Upon execution hereof $260,912.05

On the first days of June and October 1970 through October 1975. . . . . $413,110.75

The first payment shall be applied on the Purchase Price. All subsequent payments shall be applied on exploration work until Purchaser's share of costs of exploration shall have been paid; thereafter all payments shall be applied on the Purchase Price. Provided, if at any time, in the opinion of KRC, payments received from Purchaser are in excess of funds currently needed for Purchaser's share of exploration costs, KRC shall notify Purchaser and shall apply the excess upon the unpaid portion of the Purchase Price. The unpaid balance of the Purchase Price shall bear interest at the rate of 6% per annum from date of this Agreement until paid and which shall be paid within thirty (30) days after date of invoice.

7. All references to dollars herein are to United States dollars.

8. This Agreement shall be construed and governed by the laws of the State of Colorado.

9. Purchaser may transfer all or any part of its interest hereunder to a subsidiary or an affiliated corporation, but other assignment of Purchaser's interest is not to be made without the prior written consent of KRC which shall not be unreasonably withheld.

10. Any notice or other communication required or permitted hereunder shall be deemed to have been properly given or delivered when delivered personally or when sent by certified mail or telegraph with all postage and charges fully prepaid to King Resources Company at 3100 Security Life Bldg., Denver, Colorado 80202, or to Purchaser at Box 2511, 1700 One Shell Plaza, Houston, Texas 77002. The date of service by mail shall be the date on which written notice or other communications sent is deposited in

the United States Post Office or telegraph office, addressed as above provided. Each party hereto shall have the right to change his address for all purposes of this article by notifying the other party hereto thereof in writing.

11. This Agreement shall be binding upon and shall inure to the benefit of KRC and Purchaser and their respective successors and assigns.

IN WITNESS WHEREOF the parties hereto have executed this Agreement on the day and year first above written.

KING RESOURCES COMPANY

ATTEST:

By _____

By _____

"KRC"

JOHN W. MEACOM

"Purchaser"

A 815

A 815

Ex 61

JOHN W. McCOOM

INTER-OFFICE CORRESPONDENCE

FROM: NEAL A. ARNOTT

TO: JOHN W. McCOOM

DATE: JAN. 2, 1970

SUBJECT: King Resources - Canadian Leases

On receipt of copy of the letter from Robert Dippo I called Bob Dalsey and told him that this letter did not set out the agreement as I understood it. He stated that Tim Lowery of Calgary was preparing the cross letter agreements which did fully set out the understanding. Tim Lowery has called me and discussed this and hopes to get approval of the letter on Monday, January 5th.

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2x 6# 816
+2x1

NEAL MARRIOTT
ATTORNEY AT LAW

1500 GRAY STREET
POST OFFICE BOX 2566
HOUSTON, TEXAS 77001

Tel. (713) 228-7[illegible]

February 19, 1971

CONFIDENTIAL
JOHN W. MECOM
P. O BOX 2566
HOUSTON 1, TEXAS

Dr. Arman Frederickson
Senior Vice President
King Resources
Security Life Building
Denver, Colorado 80202

Dear Dr. Frederickson:

This confirms our telephone converstion of this date.

I was present through the negotiations between Mr. Mecom and Mr. Halsey representing King Resources, on December 24, 1969, when the agreement dated as of December 29, 1969 relative to the federal oil and gas exploration permits was made.

At the time of the agreement there was further agreement, outside of the written document, to the effect that the initial $260,912.05 consideration plus some further considerations to Mr. Mecom would be advanced by King Resources Company. This side agreement further provided that King Resources would furnish to Mr. Mecom funds for making payment of the other considerations called for by the contract. Actually, it was stressed that Mr. Mecom was not to have any obligation or liabilities to pay any amount under the contract except that which was advanced by King Resources Company. There was considerable discussion regarding a plan to advance these funds through the use of Mr. Mecom's rigs on the drilling operations in Louisiana and in the Canadian arctic area allowing a sufficient net profit to cover the payments called for on Mr. Mecom's part by the written agreement. This side agreement was to be evidenced by a letter signed by Mr. King for King Resources Company.

Shortly after the December 24,1969 meeting I had telephone conversations with Mr. Halsey relative to the initial payment called for by the contract. Pursuant to his instructions I picked up a check from the offices of Royal Resources Corporation in Houston in the amount of $275,000.00 which was used for this initial payment. A copy of this check is enclosed.

Dec 24 27
12-29-73 FE

In the telephone conversations with Mr. Halsey we also discussed the side letter agreement and he told me that it would be handled by Mr. Kim Lowry of Chicago. Subsequently, on call from Mr. Lowry we discussed it by telephone. A few days later I received a short hand-written memorandum from Mr. Lowry to which there was attached a letter dated as of December 24, 1969, which I was advised by telephone had been signed by Mr. King for King Resources Company. I enclose copy of the hand-written memorandum and letter.

Several months ago, Mr. Mecom advised Mr. King and Mr. Halsey, and I have advised Mr. Halsey and others with King Resources Company, that Mr. Mecom was desirous of negating the contract of December 24, 1971 or reassigning to King Resources the interest, if any, that existed in Mr. Mecom by reason of the document of December 24, 1969. Mr. Mecom has not had an opportunity to sell the interest, if any, he received by virtue of the document.

Mr. Mecom is now desirous of, and willing to, set aside the document of December 24, 1969 and reassign the interest, if any, that vested in him by virtue of the document. I would appreciate it if you could advise me the steps necessary to accomplish this result at the earliest possible time.

Yours very truly,

Neal Marriott

NM/ps
Encl:3

cc: Mr. John W. Mecom, Sr.

A818

Ex 6JA 813

NEAL MARRIOTT
ATTORNEY AT LAW

TEL. (713) 228-1702

1500 GRAY STREET
POST OFFICE BOX 2566
HOUSTON, TEXAS 77001

May 26, 1971

Dr. Arman Frederickson
Senior Vice President
King Resources
Security Life Building
Denver, Colorado 80202

Re: King Resources Company--John W. Mecom Contract of December 24, 1969

Dear Dr. Frederickson:

On making full investigation into this transaction, including the circumstances surrounding the signing of the contract as well as those subsequent thereto, I find that I was in error in my conclusion as related in my letter of February 19, 1971.

It now appears that the $275,000 advanced at or shortly after the signing of this agreement was not actually advanced by King Resources Company and further that the advance was made as a standby advance payment for the use of certain drilling equipment of Mecom Company on an exploration program contemplated by The Colorado Corporation or others and that the drilling equipment was not thereafter used as contemplated.

There also appears no evidence to support the conclusion that a letter was written or signed on behalf of King Resources or Mr. John King or any of their affiliated entities agreeing to make available to Mr. Mecom funds for meeting his obligation under this contract.

From my investigation, including conversations with Mr. Mecom, it is my present conclusion that the four page agreement with

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fourteen pages of exhibit constitutes the entire agreement between King Resources Company and Mr. Mecom relative to the subject matter of this agreement.

Cordially,

Neal Marriott

NM/bt

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John KD 9 - 303-784-4481

AC 312, GR 51172

Tim Lowery

1 Lowery

2 Tels sets

1) Reduction

2) Jabs

3) Personal letter
follow up - only
Bad work packets
First Refusals
by
our property

4 Letter John K
very little writing

W/G Summer
303 244-5501
res: 322-8676

USA 33s-475
(ED. 4-23-71)

EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.
GX. 6K-1

A821

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AGREEMENT

THIS AGREEMENT dated this 31st day of December, 1969, by and between KING RESOURCES COMPANY, a Maine corporation, hereinafter called "KRC", and JOHN N. KING, hereinafter called "Purchaser".

WITNESSETH:

WHEREAS, KRC is the owner of or has certain rights to acquire varying undivided interest in Canadian Federal Oil and Gas Exploration Permits, (the "Permits") covering approximately thirty-five million six hundred fifty-three thousand two hundred thirty-four (35,653,234) gross acres or twenty-two million two hundred sixty-four thousand four hundred ninety-five (22,264,495) net acres, all as more completely described in the Schedule attached hereto as Exhibit "A"; and,

WHEREAS, KRC proposes to conduct an exploration program in, under and upon the Permits; and,

WHEREAS, it is the desire of the Purchaser to obtain an undivided interest in the Permits as set forth in Exhibit "A", or any leases issued in exchange therefor and to participate with KRC in the exploration program pursuant to the terms and conditions as hereinafter set forth,

NOW, THEREFORE, it is agreed between the parties hereto as follows:

1. Upon and subject to the terms and conditions and for the consideration hereinafter set forth, KRC agrees to sell and convey to Purchaser and Purchaser agrees to purchase and pay for an undivided 1/64th of KRC's working interest in and to the Permits or any leases issued in exchange therefor as described in Exhibit "A" attached hereto and by this reference made a part hereof. In the event that KRC owns less than the full working interest in any of the Permits, the interest conveyed to the Purchaser shall be proportionately reduced, intending; that Purchaser shall own an interest covering an undivided 347,884 net acres in said Permits. Provided, that should the said Permits or the leases issued thereunder, cover more or less acreage, appropriate adjustments as hereinafter provided will be made. The interest sold herein shall be made subject to its proportionate share

A 822

of all royalties, overriding royalties and other burdens on production which are presently existing or which may be created pursuant to the rules and regulations of the Canadian government relative to the issuance of oil and gas leases and leases for lands lying within the Canadian Arctic.

2. Purchaser agrees to pay to KRC as consideration for the purchase of the above property, $2,609,120.50 (the "Purchase Price"), it being the intention that Purchaser will be acquiring the interest conveyed at the rate of $7.50 per net acre and should Purchaser acquire an interest in more or less than the net acres set forth in Paragraph 1 above, appropriate adjustments shall be made.

3. In the event any assignment of the Permits or any of the leases issued in exchange therefor which is contemplated by this Agreement, is not approved by the Canadian government or which cannot be made because of laws and regulations of the Canadian government, then until such assignment is approved or can be made (and both parties agree to use their best efforts to obtain such approval or to create such conditions so as an assignment can be made) KRC shall, if requested by Purchaser, acquire Purchaser's working interest in exchange for a non-working interest having so far as possible, equivalent economic burdens and benefits.

4. Purchaser agrees to pay to KRC 12.50% of all costs of exploration required to earn and maintain said Permits up to a total of $2,609,120.50, it being the intention that Purchaser will bear the cost of the exploration work on the basis of $7.50 per net acre to be acquire and should Purchaser acquire an interest in more or less than the net acres set forth in Paragraph 1 above, appropriate adjustments shall be made. After a total of $20,872,964.00 has been expended on said exploration work, Purchaser shall pay its ratable share of all future expenditures relating to the Permit areas.

5. The parties shall enter into an Operating Agreement naming KRC as Operator, such agreement to be in a form customary in the industry but with the expressed provision that the parties shall elect not to be excluded from the provisions of Sub-Chapter K of Chapter 1 of Subtitle A of the United States Internal Revenue Code of 1954, so that each party may claim and deduct in full for United States income tax purposes all deductible items for which that party has made payments. In addition, the Operating Agreement shall

A 823

exploration work, additional exploration work or development work may be conducted but should a party not desire to participate in such additional work that the consenting parties may proceed to do so under the terms of a "non-consent clause". The Operation Agreement will further provide that should any party to the Operating Agreement desire to surrender or relinquish its interest, the remaining parties may at their election acquire their prorata share of the surrendered or relinquished interest.

6. Payments of the Purchase Price and for exploration work shall be made in the following amounts and on the following dates:

Within fifteen (15) days of execution hereof	$260,912.05
On the first days of June and October 1970 through October 1975	$413,110.75

The first payment shall be applied on the Purchase Price. All subsequent payments shall be applied on exploration work until Purchaser's share of costs of exploration will have been paid; thereafter all payments shall be applied on the Purchase Price. Provided, if at any time, in the opinion of KRC, payments received from Purchaser are in excess of funds currently needed for Purchaser's share of exploration costs, KRC shall notify Purchaser and shall apply the excess upon the unpaid portion of the Purchase Price. The unpaid balance of the Purchase Price shall bear interest at the rate of 6% per annum from date of this Agreement until paid and which shall be paid within thirty (30) days after date of invoice.

7. All references to dollars herein are to United States dollars.

8. This Agreement shall be construed and governed by the laws of the State of Colorado.

9. Purchaser may transfer all or any part of its interest hereunder to a subsidiary or an affiliated corporation, but other assignment of Purchaser's interest is not to be made without the prior written consent of KRC which shall not be unreasonably withheld.

10. Any notice or other communication required or permitted hereunder shall be deemed to have been properly given or delivered when delivered personally or when sent by certified mail or telegraph with all

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...ed hereby fully ...
...ildings, Denver, Colo...
...ilding, Denver, Colorado ...
...ress which written notice ...
...United States Post Office or ...
Each party hereto shall have ...
of this article by notifying ...

11. This Agreement ...
benefit of KRC and Purchaser ...

IN WITNESS WHEREOF ...
on the day and year first abo...

...to King Resources Company at 3100 Security
...02, or to Purchaser at 3100 Security Life
The date of service by mail shall be the
...ther communications sent is deposited in the
...raph office, addressed as above provided.
...right to change his address for all purposes
...ther party hereto thereof in writing.
...be binding upon and shall inure to the
...their respective successors and assigns.
...rties hereto have executed this Agreement
...itten.

KING RESOURCES COMPANY

By _____

"KRC"

JOHN M. KING
"Purchaser"

ATTEST:

By _____

GX 7-Y

A825

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December 24, 1969

Mr. John W. Mecom, Sr.
P. O. Box 2566
Houston, Texas 77001

Dear Mr. Mecom:

This is to confirm my agreement with you in connection with your purchase from King Resources Company of approximately 347,883 net acres of oil and gas exploration permits in the Canadian Arctic Islands for $7.50 per acre plus $7.50 per acre in work obligations under the terms of an agreement with King Resources Company dated December 24, 1969.

I have agreed to provide sufficient net cash receipts to be paid to you to enable you to make all payments on your said contract with King Resources Company through payments due in October, 1971.

At any time after October 1971 up to December 31, 1971, I have also agreed that if you so request and assign to me your interest to said permits, I will assume and pay and hold you harmless from all obligation to pay all amounts due King Resources under said contract subsequent to October, 1971. Provided that if, prior to October 1971, you are afforded an opportunity to sell your interests at a price in excess of your costs, my further obligations hereunder shall cease.

This letter will be held for our mutual account by Timothy G. Lowry of Peterson, Rall, Barber & Ross of Chicago, Illinois.

Yours very truly,

jh

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AGREEMENT

THIS AGREEMENT dated this 30th day of December, 1969, by and between KING RESOURCES COMPANY, a Maine corporation, hereinafter called "KRC", and LAKE SHORE ASSOCIATES, hereinafter called "Purchaser".

WITNESSETH:

WHEREAS, KRC is the owner of or has certain rights to acquire varying undivided interest in Canadian Federal Oil and Gas Exploration Permits, (the "Permits") covering approximately thirty-five million six hundred fifty-three thousand two hundred thirty-four (35,653,234) gross acres or twenty-two million two hundred sixty-four thousand four hundred ninety-five (22,264,495) net acres, all as more completely described in the Schedule attached hereto as Exhibit "A"; and,

WHEREAS, KRC proposes to conduct an exploration program in, under and upon the Permits; and

WHEREAS, it is the desire of the Purchaser to obtain an undivided interest in the Permits as set forth in Exhibit "A", or any leases issued in exchange therefor and to participate with KRC in the exploration program pursuant to the terms and conditions as hereinafter set forth,

NOW, THEREFORE, it is agreed between the parties hereto as follows:

1. Upon and subject to the terms and conditions and for the consideration hereinafter set forth, KRC agrees to sell and convey to Purchaser and Purchaser agrees to purchase and pay for an undivided 1/128th of KRC's working interest in and to the Permits or any leases issued in exchange therefor as described in Exhibit "A" attached hereto and by this reference made a part hereof. In the event that KRC owns less than the full working interest in any of the Permits, the interest conveyed to the Purchaser shall be proportionately reduced, intending that Purchaser shall own an interest covering an undivided 173.949 net

A 827

acres in said Permits. The interest said herein shall be made subject to its proportionate share of all royalties, overriding royalties and other burdens on production which are presently existing or which may be created pursuant to the rules and regulations of the Canadian government relative to the issuance of oil and gas leases and leases for lands lying within the Canadian Arctic.

2. Purchaser agrees to pay to KRC as consideration for the purchase of the above property, $1,304,560.03 (the "Purchase Price").

3. In the event any assignment of the Permits or any of the leases issued in exchange therefor which is contemplated by this Agreement, is not approved by the Canadian government or which cannot be made because of laws and regulations of the Canadian government, then until such assignment is approved or can be made (and both parties agree to use their best efforts to obtain such approval or to create such conditions so as an assignment can be made) KRC shall, if requested by Purchaser, acquire Purchaser's working interest in exchange for a non-working interest having so far as possible, equivalent economic burdens and benefits.

4. Purchaser agrees to pay to KRC 6.25% of all costs of exploration required to earn and maintain said Permits up to a total of $1,304,560.02. After a total of $20,872,964.00 has been expended on said exploration work, Purchaser shall pay its ratable share of all future expenditures relating to the Permit areas.

5. The parties shall enter into an operating agreement naming KRC as Operator, such agreement to be in a form customary in the industry but with the expressed provision that the parties shall elect not to be excluded from the provisions of Sub-Chapter K of Chapter 1 of Subtitle A of the United States Internal Revenue Code of 1954, so that each party may claim and deduct in full for United States income tax purposes all deductible items for which that party has made payments. In addition, the operating agreement shall provide that at such time as the initial $20,872,964.00 has been expended on exploration work, additional exploration work or development work may be conducted but should a party not desire to participate in such additional work, that the

A 828

consenting parties may proceed to do so under the terms of a "non-consent clause". The operating agreement will further provide that should any party to the operating agreement desire to surrender or relinquish its interest, the remaining parties may at their election acquire their prorata share of the surrendered or relinquished interest.

6. Payments of the Purchase Price and for exploration work shall be made in the following amounts and on the following dates:

Upon execution hereof $130,456.00

On the first days of June and October 1970 through October 1975. . . . . $206,555.34

The first payment shall be applied on the Purchase Price. All subsequent payments shall be applied on exploration work until Purchaser's share of costs of exploration shall have been paid; thereafter all payments shall be applied on the Purchase Price. Provided, if at any time, in the opinion of KRC, payments received from Purchaser are in excess of funds currently needed for Purchaser's share of exploration costs, KRC shall notify Purchaser and shall apply the excess upon the unpaid portion of the Purchase Price. The unpaid balance of the Purchase Price shall bear interest at the rate of 6% per annum from date of this Agreement until paid and which shall be paid within thirty (30) days after date of invoice.

7. All references to dollars herein are to United States dollars.

8. This Agreement shall be construed and governed by the laws of the State of Colorado.

9. Purchaser may transfer all or any part of its interest hereunder to a subsidiary or an affiliated corporation, but other assignment of Purchaser's interest is not to be made without the prior written consent of KRC which shall not be unreasonably withheld.

10. Any notice or other communication required or permitted hereunder shall be deemed to have been properly given or delivered when delivered personally or when sent by certified mail or telegraph with all postage and charges fully prepaid to King Resources Company at 3100 Security Life Bldg., Denver, Colorado 80202, or to Purchaser at 135 So. LaSalle St., Suite 713, Chicago, Illinois 60603. The date of service by mail shall be the date on which written notice or other communications sent is deposited in

A829

A 829

...ed States Post Office or telegraph office, addressed as above

...). Each party hereto shall have the right to change his address ...ll purposes of this article by notifying the other party hereto ...of in writing.

11. This Agreement shall be binding upon and shall inure to ...benefit of KRC and Purchaser and their respective successors and ...ns.

IN WITNESS WHEREOF the parties hereto have executed this ...ement on the day and year first above written.

KING RESOURCES COMPANY

ATTEST:

...: Robert E. Riggs

By _____

"KRC"

LAKE SHORE ASSOCIATES

By _____

"Purchaser"

A830

A830
15A

AGREEMENT

THIS AGREEMENT dated this 22nd day of December, 1969, by and between KING RESOURCES COMPANY, a Maine corporation, hereinafter called "KRC", and CONSOLIDATED OIL & GAS, INC., a Colorado corporation, hereinafter called "Purchaser".

WITNESSETH:

WHEREAS, KRC is the owner of or has certain rights to acquire varying undivided interest in Canadian Federal Oil and Gas Exploration Permits, (the "Permits") covering approximately thirty-five million six hundred fifty-three thousand two hundred thirty-four (35,653,234) gross acres or twenty-two million two hundred sixty-four thousand four hundred ninety-five (22,264,495) net acres, all as more completely described in the Schedule attached hereto as Exhibit "A"; and,

WHEREAS, KRC proposes to conduct an exploration program in, under and upon the Permits; and

WHEREAS, it is the desire of the Purchaser to obtain an undivided interest in the Permits as set forth in Exhibit "A", or any leases issued in exchange therefor and to participate with KRC in the exploration program pursuant to the terms and conditions as hereinafter set forth,

NOW, THEREFORE, it is agreed between the parties hereto as follows:

1. Upon and subject to the terms and conditions and for the consideration hereinafter set forth, KRC agrees to sell and convey to Purchaser and Purchaser agrees to purchase and pay for an undivided 1/32nd of KRC's working interest in and to the Permits or any leases issued in exchange therefor as described in Exhibit "A" attached hereto and by this reference made a part hereof. In the event that KRC owns less than the full working interest in any of the Permits, the interest conveyed to the Purchaser shall be proportionately reduced, intending that Purchaser shall own an interest covering, on an undivided basis, approximately 695,726 net acres in said Permits. Provided, that should the said Permits or the leases issued thereunder, cover more or less

A831

acreage, appropriate adjustments as hereinafter provided will be made. The interest sold herein shall be made subject to its proportionate share of all royalties, overriding royalties and other burdens on production which are presently existing or which may be created pursuant to the rules and regulations of the Canadian government relative to the issuance of oil and gas leases and leases for lands lying within the Canadian Arctic.

2. Purchaser agrees to pay to KRC as consideration for the purchase of the above property $5,218,242.00 (the "Purchase Price"), it being the intention that Purchaser will be acquiring the interest conveyed at the rate of $7.50 per net acre and should Purchaser acquire an interest in more or less than the net acres set forth in Paragraph 1 above, appropriate adjustment shall be made.

Payment of the purchase price shall be made by a payment of $443,550.00 on the execution of this Agreement, the receipt of which is hereby acknowledged, and the balance in six (6) equal installments of $795,782.00 each, to be made on the 30th days of June and December of 1973 through 1975. The unpaid balance of the purchase price shall bear interest at the rate of 6% per annum from the date of this Agreement until paid and which shall be paid within thirty (30) days after invoice.

3. In the event any assignment of the Permits or any of the leases issued in exchange therefor which is contemplated by this Agreement, is not approved by the Canadian government or which cannot be made because of laws and regulations of the Canadian government, then until such assignment is approved or can be made (and both parties agree to use their best efforts to obtain such approval or to create such conditions so as an assignment can be made) KRC shall, if requested by Purchaser, acquire Purchaser's working interest in exchange for a non-working interest having so far as possible, equivalent economic burdens and benefits.

4. Purchaser agrees to pay to KRC 25% of all costs of exploration required to earn and maintain said Permits up to a total of $5,218,242.00 it being the intention that Purchaser will bear the cost of the exploration work on the basis of $7.50 per net acre to be acquired and should Purchaser acquire an interest in more or less than the net acres set forth in Paragraph 1 above, appropriate adjustments shall be made. After a total of $20,872,968.00 has been expended, of which 25% will be expenditures made for the account of the Purchaser subject to KRC, its successor, or assigns, all subsequent

exploration work shall be conducted in accordance with the terms of an Operating Agreement as hereinafter provided for and Purchaser shall pay its 1/32nd share of all such future expenditures in accordance with the terms thereof.

Purchaser shall pay, as billed by KRC and upon completion of segments of work under the exploration program, Purchaser's proportionate share of the cost thereof, such payments to be made within thirty (30) days after date of invoice. Provided, however, that during the period from the date of this Agreement through December 31, 1970, Purchaser, without his prior written consent, will not be required to pay on invoice, but may defer payment until after January 1, 1971, his proportionate share of a total work program which exceeds $5,000,000.00.

5. The parties shall enter into, prior to the commencement of any drilling operations, an Operating Agreement naming KRC as Operator. In the event of any conflict between this Agreement and the Operating Agreement, the terms of this Agreement shall be controlling. The Operating Agreement shall be in the form customary in the industry, but with the expressed following provisions:

A. The parties shall elect not to be excluded from the provisions of Sub-Chapter K of Chapter 1 of Subtitle A of the United States Internal Revenue Code of 1954, so that each party may claim and deduct in full for United States income tax purposes all deductible items for which that party has made payment.

B. The Operating Agreement shall provide that at such time as the initial $20,872,964.00 has been expended on exploration work, additional exploration or development work may be conducted but should a party not desire to participate in such additional work, that the consenting parties may proceed to do so under the terms of a "non-consent clause", which shall be essentially as follows:

(1) On a wildcat well or any well required to meet the obligations of any farmout agreement or required by an governmental agency, the non-consenting party shall release to the consenting party all of its interest in an area consisting of nine 640 acre sections, one which the well is to be located on and the remainder in nearly as possible in the shape of a square surrounding said location. Provided, however, that should any producing properties be included therein, the non-consenting party will retain its interest in the spacing unit or units assigned to the producing

A 833

well or wells.

(II) On development wells, reworking or plugging back operations or other remedial work, the consenting party shall recover from the non-consenting party's share of the production 400% on "risk items" and 100% on "non-risk items" which would have been chargeable to such non-consenting party if it had participated in the well.

(III) Consent to the drilling of a well will not be deemed consent to the running of casing and a completion attempt and a party will have the right to go "non-consent" upon the reaching of the casing point, with such election to be on the basis of the 400% non-consent clause. Upon reaching the casing point, the Operator shall give notice of its intention to attempt a completion and non-operator shall have twelve (12) hours in which to make its election. Failure to respond to Operator's notice shall constitute consent to the action proposed.

C. The Operating Agreement shall contain suitable administrative overhead charges suitable to reimburse Operator for its expenses but not to the excess of such expenses, with further provisions for the adjustment of the established rates.

D. The Permits and leases issued thereunder and covered by the Operating Agreement shall not be surrendered in whole or in part unless all parties consent. However, should any party desire to surrender its interest in any Permit or in any portion thereof, and other parties not agree or consent, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in such Permit, or portion thereof, and any well, material and equipment which may be located thereon and any rights in production thereafter secured, to the parties not desiring to surrender it. Upon such assignment, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the acreage assigned and the operation of any well thereon, and the assigning party shall have no further interest in the lease assigned and its equipment and production. The parties assignee shall pay to the party assignor the reasonable salvage value of the latter's interest in any wells and equipment on the assigned acreage, less the estimated cost of salvaging and the estimated cost of plugging and abandoning. If the assignment is in favor of more than one party, the

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assigned interest shall be shared by the parties assignee in the proportions that the interest of each bears to the interest of all parties assignee. Any assignment or surrender made under this provision shall not reduce or change the assignors' or surrendering parties' interest, as it was immediately before the assignment, in the balance of the Permits; and the acreage assigned or surrendered, and subsequent operations thereon, shall not thereafter be subject to the terms and provisions of the Operating Agreement.

6. KRC in the conduct of the exploration program shall freely consult with Purchaser and shall supply Purchaser with information and results of the program on a current basis. KRC, however, shall have full control of all operations which it shall conduct in a good and workmanlike manner, but it shall have no liability to Purchaser for losses sustained or liabilities incurred except such as may result from its gross negligence or from the breach of the provisions of this Agreement. Any information supplied to Purchaser by KRC or the results of the exploration program divulged to Purchaser by KRC shall be for the exclusive benefit of Purchaser and shall not be divulged to any other party by Purchaser.

7. All materials now in KRC's inventory and to be used in the conduct of the exploration program shall be invoiced to Purchaser at cost, provided, however, that KRC shall not be reimbursed for any work performed here to date. All work to be performed under this Agreement shall be on competitive contract basis, provided, however, KRC, if it so desires, may employ its own tools and equipment and other services available to it, but its charges therefor shall not exceed prevailing rates charged by others for the providing of such tools, equipment or services.

8. KRC and Purchaser will each, if either acquire any interest in oil and gas interest during the continuance of this Agreement in an area bounded on the East by 60° West Longitude and on the West by 128° West Longitude and North of Latitude 71° North, excepting therefrom Baffin Island and Greenland, offer to the other party the opportunity to participate in the acquisition of such interest as to its proportionate interest hereunder (KRC 31/32nds, Purchaser 1/32nd), provided that in the event offeree party elects to participate it will bear its proportionate part of the costs and expenses of acquiring such interest, including drilling costs, if such interest is being acquired pursuant to a well drilling obligation.

9. All references to dollars herein are to United States dollars.

10. This Agreement shall be construed and governed by the laws of the State of Colorado.

11. Any notice or other communication required or permitted hereunder shall be deemed to have been properly given or delivered when delivered personally or when sent by certified mail or telegraph with all postage and charges fully prepaid to King Resources Company at 3100 Security Life Building, Denver, Colorado 80202, or to Purchaser at Suite 1300, 1860 Lincoln Street, Denver, Colorado 80203. The date of service by mail shall be the date on which written notice or other communications sent is deposited in the United States Post Office or telegraph office, addressed as above provided. Each party hereto shall have the right to change his address for all purposes of this article by notifying the other party hereto thereof in writing.

12. This Agreement shall be binding upon and shall inure to the benefit of KRC and Purchaser and their respective successors and assigns.

IN WITNESS WHEREOF the parties hereto have executed this Agreement on the day and year first above written.

KING RESOURCES COMPANY

ATTEST:

By Robert E Pyges By [signature] VP

"KRC"

CONSOLIDATED OIL & GAS, INC.

ATTEST:

By [signature] Secretary By [signature]

"Purchaser"

BEST COPY AVAILABLE

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AGREEMENT

THIS AGREEMENT, dated this 2nd day of January, 1970, by and between ARCTIC INVESTMENTS LIMITED ("Arctic") and KIR RESOURCES COMPANY ("KRC");

WHEREAS, Arctic is the owner of or has certain rights to acquire varying undivided interests in Canadian Federal oil and gas exploration permits ("Permits") covering approximately 35,653,234 gross acres or 22,264,495 net acres; and

WHEREAS, KRC is fully familiar with Arctic's interest in said permits, the areas covered thereby, and the burdens and obligations related thereto, which interest of Arctic is hereafter called "said interest"; and

WHEREAS, Arctic's interest is subject to a 12 1/2% net operating profits interest held by KRC; and

WHEREAS, Arctic desires to sell 10% of said interest in the above described Permits.

NOW, THEREFORE, it is agreed between the parties hereto as follows:

1. Upon and subject to the terms and conditions hereinafter set forth, Arctic agrees to sell and convey to KRC and KRC agrees to purchase an undivided 10% of said interest for the following consideration:

A. $4,870,368.51 as the purchase price for said permits, to be paid $451,036.64 at closing and the balance in six installments as follows:

June 30, 1973	$ 603,722.52
December 30, 1973	$ 733,513.29
June 30, 1974	$ 733,513.29
December 30, 1974	$ 733,513.29
June 30, 1975	$ 733,513.29
December 30, 1975	$ 733,513.29

The unpaid balance of the purchase price shall bear interest at the rate of 6% per annum from the date of this agreement.

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2. provided that KRC may assign its right.. and obliga-
tions or portions thereof under agreements with th..d parties
who have undertaken to make substantially identica.. payments
to it on account of the sale by KRC to them of a s..bstantially
identical interest in said Permits, to Arctic in s..tisfaction
of its above described obligations, if Arctic shal.. consent
in writing to said assignment.

3. The date of closing of this Agreement s..ll be
January 19, 1970, or such other date as the partie.. may agree
upon.

4. All references to dollars herein are to ..nited
States Dollars.

5. This Agreement may be signed in counter..rts, each
of which is determined to be a duplicate original.

6. This Agreement shall be binding upon an.. shall inure
to the benefit of KRC and Arctic and their respecti..e successors
and assigns.

IN WITNESS WHEREOF, the parties hereto have ..xecuted
this Agreement as of the day and year first above w..tten.

ATTEST: ARCTIC INVESTMENTS L..ITED

_____ By _____

ATTEST: KING RESOURCES COMPA..

Robert E Dyer II By _____

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Consolidated Oil & Gas, Inc.

LINCOLN TOWER BUILDING
1860 LINCOLN STREET
DENVER, COLORADO 80203
(303) 255-1751

June 5, 1970

CHAIRMAN'S SPECIAL LETTER TO SHAREHOLDERS

On May 19, 1970, trading in the shares of our Company on the American Stock Exchange was halted at our request and on May 28, 1970 the Securities and Exchange Commission suspended all trading in the stock of our Company. As chairman of the board and chief executive officer, I have written this special letter to provide current information concerning recent transactions by our Company, to correct certain recent erroneous reports which appeared in the press, and to clarify the Company's present position in several matters. The Company has been advised that the trading suspension will be terminated by the Securities and Exchange Commission effective June 10, 1970 and it has also been advised by the American Stock Exchange that the Company's stock will be reinstated to dealings at that time.

CANADIAN ARCTIC ISLANDS EXPLORATION PROJECT

In December 1969, after several weeks of discussion, our Company entered into a joint venture exploration agreement with King Resources Company of Denver (King Resources) to acquire a 3.125% working interest in varying individual interests in exploration permits held by King Resources covering approximately 35,653,000 gross (22,264,000 net) acres in the Canadian Arctic Islands area.

Although the joint venture agreement contained no references to a required time of execution, King Resources insisted that the agreement had to be executed before December 31, 1969. The agreement was executed on December 26, 1969. Because our company had other cash commitments during that same period (including payments under a joint venture agreement with King Resources to purchase commercial real estate in Denver) our Company needed additional cash for the down payment to King Resources on the Canadian Arctic Islands venture. An official of King Resources introduced our management to a bank in Oklahoma and funds for the initial down payment and other company purposes were obtained in the form of a loan of $600,000 from this new banking source. The executive committee of your company authorized this new banking relationship and this loan. Our Company also plans to use the facilities of this bank in its Oklahoma operations as well as other banking services.

In regard to this transaction I believe you should be aware of the following specific terms in the joint venture agreement:

1. The total purchase price was $5,218,242, payable $443,550 in cash at the time of execution of the agreement and the balance in six equal installments of $795,782 on the 30th day of June and December of 1973 through 1975. The unpaid balance bears interest at the rate of 6% per annum.

2. King Resources or its assigns and the Company or its assigns are required to spend $20,872,964 in work commitments subsequent to the agreement date for seismic, geologic work and drilling.

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Our Company or its assigns will bear $5,218,242 (25%) of these costs of exploration. If the Company's share of such costs exceeds $1,250,000 in 1970. King Resources must carry the added burdens and the overage would be considered a part of the 1971 budget.

3. Because the Company's net acreage interest amounts to approximately 700,000 acres, the cash to be spent over six years can be considered to be equivalent to $7.50 per acre for acquisition and $7.50 per acre for geologic work, seismic, gravity and drilling. In the event the Company sells a portion of its interests the total of $15 per acre commitment could be reduced.

4. Upon completion of the expenditures recited above, the Company may be responsible for 3.125% of any further costs incurred in maintenance of the acreage or other exploration effort but may, at its election, decline to approve these costs. This would mean that the party which elects not to participate in paying costs of certain operations forfeits the party's interest in certain designated areas upon which the proposed operations are thereafter conducted until the party conducting such operations recovers from production, if any, its costs plus a stated penalty.

The agreement was executed solely between King Resources and your Company. I have no knowledge of other parties who may have agreements with King Resources concerning the Arctic acreage or the contents of any such agreements. Neither our Company nor any of its officers or directors owns any stock directly or indirectly, in King Resources or its subsidiaries. I can unequivocally state that our Company did not have, nor does it now have, any agreements or other relationships with, nor does it own any shares of Investors Overseas Services, Ltd. (IOS) or any of its affiliates. To my knowledge, none of the funds of IOS now own any of our Company shares nor have they ever owned any of record.

The Company is presently accounting for its investment in the Arctic Islands acreage joint venture as a separate item at cost ($5,218,242) under "Other Assets". The remaining balance due for the acreage to be paid in 1973 through 1975 is reflected as long-term debt. The work commitment is considered a contingent liability and will be capitalized for book purposes as additional costs of the joint venture as the costs are incurred. The company will expense currently for tax purposes those items which are allowed by the Federal Tax law.

This acreage under the Joint Venture Agreement, which are described in our 1969 annual report, lies on the Islands of Melville, Bathurst, Prince of Wales, Lougheed, Graham, Axel Heiberg, Ellesmere, Banks and Polynia, as well as offshore between and around these Islands. If the work commitments under the agreements with King Resources are performed the permits will extend for at least ten years from the date of the agreement. Thereafter, leases may be obtained on selected acreage.

The general terms of the agreement with King Resources call for the expenditure by our Company of approximately $1.7 million per year average for the next six years. (This figure represents less than 25% of the expenditures by the company during fiscal 1969 for acreage acquisition, seismic and drilling.)

Our Company has the express right at any time to sell to a third party all or a part of its position in an individual wildcat drilling prospect, a portion of the acreage, a participation in seismic shooting options or in the entire exploration area if it deems this to be a prudent business decision.

Prior to completing this transaction, our Company had access to and reviewed certain reports of geologic, gravity and seismic work done by King Resources and other companies relating to the acreage in which we purchased our interest. Several possible drillable structures were indicated, but these required additional seismic, gravity, and geologic studies before any commencement of drilling. This information, attractive long-term financing arrangements, published industry forecasts of the oil and gas potential of the Arctic Islands area, and agreements which had been announced previously by other companies served as factors for the decision to enter this exploratory program.

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In the opinion of Management, the agreement with King Resources Company concerning the Arctic Islands was in the best interests of the company and the shareholders.

At present two drilling rigs have been contracted to commence the drilling of wildcats on Lougheed Island in October 1970 and on Bathurst Island in November 1970 to test indicated structures. If further detailed seismic work confirms preliminary gravity and seismic indications of other possible structures, wells will be commenced on Graham Island and Polynia Island during 1971. In the meantime information will be accumulated about drilling operations being conducted by other operators presently drilling near joint venture acreage. When these seismic structures are drilled, there is no assurance that they will result in the discovery of oil or that if oil were discovered that such oil can be profitably transported or sold.

OTHER PROJECTS WITH KING RESOURCES COMPANY

I now want to provide you with information concerning other projects in which your company is participating with King Resources. Both companies are engaged in oil and gas exploration and real estate activities throughout North America and there are additional projects in which the companies are joint venturers, often in conjunction with other companies.

1. In January 1970, our Company, our real estate subsidiary, Eagle County Development Corporation, and King Resources formed a joint venture called Block 175 Company and purchased a full block of commercial real estate in downtown Denver. The block contains three office buildings, as well as several small buildings. Announced plans call for eventual development of the block with a new office building complex if and when suitable professional developers and money lending partners join the joint venture. With the present money market conditions, however, active negotiation with potential partners has not been pursued. The property rents presently meet mortgage and operating costs. Eagle County and Consolidated each contributed initial capital contributions of $630,000 for 15% each of the project costs and assumed existing mortgages. These advances were obtained from our usual banking connections. King Resources advanced its 70% proportionate part of the cash and also assumed the existing mortgages.

2. Consolidated presently operates 591 producing wells throughout the United States. King Resources and an associated company own varying minority interests in 23 of these wells. Consolidated has no interests in wells operated by King Resources or its associated companies.

3. In addition to, but separate from the 22,264,000 acres acquired from King Resources, our Company has 168,720 net acres of issued leases and first priority oil and gas lease applications in Alaska in which King Resources owns a 50% interest with Consolidated acting as operator. Other oil companies are associated in some of this acreage.

4. Over the past several years Consolidated and King Resources have presented joint venture participations in oil, gas and real estate ventures to one another. No specific negotiations are presently pending, although Consolidated has submitted and will continue in the future to submit to King Resources, as well as other possible industry partners, participations in our exploratory acreage and drilling ventures. These participations have been presented to all companies on usual industry terms.

OHIO LOANS

In early 1970 our Company obtained three million dollars in loans from the State of Ohio. The first loan for one million dollars was obtained on January 29, 1970. It was for a two-year term evidenced by an unsecured note in the amount of $1 million at an interest rate of 9½% per annum payable to the Treasurer of the State of Ohio. Our Company recently learned through the press that Consolidated as well as a dozen or so other companies may have received loans with a term which exceeded the

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authority granted to the Treasurer by the state regulations. Upon being requested by the State of Ohio, Consolidated exchanged its 270-day commercial paper with an interest rate of 7¾% per annum in exchange for the cancellation of the $1 million note with the two-year term. The second loan was made on February 18, 1970 for $2 million as evidenced by an unsecured note for one year at 9% per annum to the Treasurer of the State of Ohio as Custodian for the Industrial Commission of Ohio for the account of the Disabled Workmen's Relief Fund. To date, the company has not been informed that this note was for an improper period and needs to be rearranged. These funds presently represent part of the working capital of the company and the notes are reflected as liabilities.

In connection with these loans, Mr. Ronald Howard of Financial Data Relations introduced Consolidated to Crofter's, Inc. whose principal business is that of a professional money finder. Crofter's Inc. arranged the loans from the State of Ohio for Consolidated and was paid a finders fee by Consolidated of $50,000 for services rendered. Mr. Howard gave as a reference an executive of Regency Management Corporation, a Denver based equipment leasing company which is a wholly owned subsidiary of the Colorado Corporation, an associated company of King Resources.

In summation, I consider the company to be in sound financial condition, although as a result of a recent payment of $2.5 million for shares of PetroDynamics, Inc. and $5 million indebtedness incurred by its real estate subsidiary Eagle County Development Corporation, both of which occurred in April, the combined companies have an estimated working capital deficit at present of approximately $3.1 million. Management believes this deficit will be eliminated through a $6 million long-term oil production loan secured by a portion of the oil company's properties with the proceeds to be used to retire short-term bank loans. Management has not yet obtained this $6 million long-term loan and there can be no assurance that we will obtain it. Long-term debt of the combined companies is estimated at approximately $11.2 million (including Arctic acreage) which is largely offset by long-term portion of real estate notes receivable of approximately $8.5 million. Neither Consolidated nor Eagle County Development Corporation is in default on any of its bank loans or other commitments.

Sincerely,

Harry A. Trueblood

HARRY A. TRUEBLOOD, JR.
Chairman of the Board and
Chief Executive Officer

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KING RESOURCES COMPANY

Security Life Building, Denver, Colorado 80202
Area Code 303 Telephone 892-7171

Arthur Andersen & Co.
1700 Broadway
Denver, Colorado 80202

Gentlemen:

January 23, 1970

In connection with your examination of the financial statements of King Resources Company and the Natural Resources Fund account of Fund of Funds Limited as of December 31, 1969, you have inquired whether we have knowledge of any repurchase commitments, guarantees or other contingencies relating to the following sales made by the Company of interests in arctic petroleum and natural gas permits:

Date of Sale	Purchaser	Undivided Interest Sold	Total Contract Amount Including Work Obligation
12/26/69	Consolidated Oil & Gas, Inc.	1/32	$10,436,484
12/24/69	John Mecom	1/64	5,218,241
12/31/69	John M. King	1/64	5,218,241
12/30/69	Lake Shore Associates (a partnership composed of Bennett King and Edgar Greenebaum)	1/128	2,609,120
		9/128	$23,482,086

We give you our assurance that, to the best of our knowledge and belief, there are no arrangements, verbal or written, through which the Company, any of its subsidiaries, or any Company officers or companies controlled by them, have committed to acquire any of the interest sold, or have guaranteed in any way the economic results of the transactions to the purchasers. It is our opinion that the transactions are bonafide sales in all respects and were negotiated on an arm's length basis with the respective purchasers.

Very truly yours,
KING RESOURCES COMPANY

John M. King
Chairman

A. Rowland Boucher,
President

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KING RESOURCES COMPANY

Security Life Building, Denver, Colorado 80202

Area Code 303 Telephone 534-7661

January 23, 1970

Arthur Andersen & Company
1700 Broadway
Denver
COLORADO 80202

Dear Sirs:

In connection with your examination of the schedule of investments made by us for Natural Resources Fund, as of and for the six months ended December 31, 1969, you have inquired whether we have knowledge of any significant facts not made known to you concerning the matters mentioned below. We understand that these matters have been reviewed or checked by you to the extent that they come within the scope of your examination, and that you have determined the scope of your work in accordance with generally accepted auditing standards applicable in the circumstances. We give you our assurance, without undertaking to guarantee, that so far as we know:

(1) The schedules of investments properly show (a) Natural Resources Fund's investments in natural resources at cost, as of December 31, 1969, (b) the books of the Company properly show the amounts due to and from Natural Resources Fund, which were as follows:

Amount receivable from Natural Resources Fund	$13,049,716.26
Amount payable to Natural Resources Fund (net of $30,000 accrued lease operating expense)	$ 118,990.21

(c) all sales of properties of or for the benefit of Natural Resources Fund have been reflected in our records, all on a basis consistent with that of the preceding period.

(2) As of December 31, 1969, the Company had satisfactory title to all assets held in trust for Natural Resources Fund.

(3) Market value as of December 31, 1969, of the investments of Natural Resources Fund has been determined on a fair and reasonable basis in a manner consistent with prior periods.

(4) All transactions of the company during the six months ended December 31, 1969, with respect to Fund of Fund's transactions, were conducted on an arms-length basis, and to that end, none of the officers or key employees of the company had any material direct or indirect ownership (other than through investment in publicly traded securities) or profit participation in outside business enterprises with which the company had significant purchases or sales, that have not been made known to you.

(5) Since December 31, 1969, there have been no events or transactions other than those reflected or fully disclosed in the schedule of investments of the Natural Resources Fund which should be disclosed therein in order to make them not misleading.

(6) All accounting and financial records and related data of the company applicable to transactions with the Natural Resources Fund were made available to you, and so far as we know, none of them were withheld from you.

Very truly yours,

Roger L. Davis, Vice President and Controller

A. Rowland Boucher, President

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KING RESOURCES COMPANY

EXHIBIT
A 846

Security Life Building, Denver, Colorado 80202
Area Code 303 Telephone 892-7171

May 27, 1970

Arthur Andersen & Company
1700 Broadway
Denver, Colorado 80202

Gentlemen:

In connection with your examination of the financial statements of the Natural Resources Fund account of Fund of Funds Limited as of December 31, 1969, you have inquired whether we have knowledge of any repurchase commitments or other guarantees made by King Resources Company, any of its subsidiaries, or any Company officers or companies controlled by them involving the interests in artic petroleum and natural gas permits sold by King Resources Company in December, 1969, to Consolidated Oil and Gas Inc., John W. Mecom, Lake Shore Associates and John M. King. We give you our assurance that, to the best of our knowledge and belief, there are no such arrangements, verbal or written, whereby the purchasers of such interests could turn them back to the Company, any of its subsidiaries, or any Company officers or companies controlled by them in settlement of the purchasers' obligations under the respective contracts of sale. It is our opinion that the purchasers of such interests are legally obligated to pay King Resources Company the full amounts specified in the contracts as purchase price of the permits and work obligation commitments ($10,436,484 for Consolidated Oil and Gas Inc., $5,218,241 for John W. Mecom, $5,218,241 for John M. King, and $2,609,120 for Lake Shore Associates).

Very truly yours,

KING RESOURCES COMPANY

John M. King
Chairman

A. Rowland Boucher
President

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KING RESOURCES COMPANY
Insurance Division

Denver Club Building, Denver, Colorado 80202
Area Code 303 Telephone 534-7661

June 14, 1971

Arthur Andersen & Co.
1700 Broadway
Denver, Colorado 80202

Gentlemen:

In connection with John Mecom's proposed assignment to The Colorado Corporation of his interests and obligations under the December 24, 1969, Arctic contract, you have raised specific questions. Accordingly, we, as present management of the Company, represent that we do not intend to consent to the proposed assignment, and have no knowledge that Mr. Mecom's downpayment to the Company might have been financed through a transaction with an associated entity (i.e., The Colorado Corporation and subsidiaries other than as a result of representations included in the documentation concerning the proposed assignment);and, further, we did not participate in any way on behalf of the Company to arrange any downpayment financing for Mr. Mecom on this contract, if there was in fact downpayment financing.

Very truly yours,

A. R. Boucher
Chairman of the Board and
Chief Executive Officer

C. Harrison Cooper
President and
Chief Operating Officer

R. L. Davis
Vice President and Controller

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SUMMARY OF LEASE SALES TO FUND OF FUNDS, LIMITED (FOF)
AND RELATED COSTS TO KING RESOURCES COMPANY (KRC)
Three Years Ended December 31, 1970

	WELL OR PROSPECT	COUNTRY OR STATE	LOCATION	% OF KRC's INTEREST SOLD TO FOF		1968	1969	1970	TOTAL	GROSS PROFIT PERCENTAGE	RATIO OF FOF'S PRICE TO KRC'S COST
	By King Resources Company:										
1	Arctic Petroleum and Natural Gas Exploration Program	Canada	Northwest Territories	50.00	PRICE TO FOF	$1,908,000	$9,002,546	-	$10,910,546		
					COST TO KRC	24,000	373,120	-	397,120		
					GROSS PROFIT	1,884,000	8,629,426	-	10,513,426	96.36	27.47:1
2	Arctic Sulphur Prospect	Canada	Northwest Territories	50.00	PRICE TO FOF	$1,318,200	-	-	$1,318,200		
					COST TO KRC	18,000	-	-	18,000		
					GROSS PROFIT	1,300,200	-	-	1,300,200	98.64	73.23:1
	Bristol Bay Area	Alaska	Bristol Bay Basin	50.00	PRICE TO FOF	-	-	$500,000	$500,000		
					COST TO KRC	-	-	401,618	401,618		
					GROSS PROFIT	-	-	98,382	98,382	19.68	1.24:1
	Central Wind River Basin	Wyoming	Sweetwater	50.00	PRICE TO FOF	-	$196,700	-	$196,700		
					COST TO KRC	-	57,856	($3,504)	54,352		
					GROSS PROFIT	-	138,844	3,504	142,348	72.37	3.62:1
	Galaxy Area South Wildcat Trend Exploration Program	Wyoming	Campbell Converse	25.00	PRICE TO FOF	-	$3,300,000	-	$3,300,000		
					COST TO KRC	-	250,000	$46,864	296,864		
					GROSS PROFIT	-	3,050,000	(46,864)	3,003,136	91.00	11.12:1
	Garcia Ranch	Texas	Kennedy Willacy	50.00	PRICE TO FOF	-	$369,020	-	$369,020		
					COST TO KRC	-	136,986	$62,504	199,490		
					GROSS PROFIT	-	232,034	(62,504)	169,530	45.94	1.85:1

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WELL OR PROSPECT	COUNTRY OR STATE	LOCATION	% OF KRC's INTEREST SOLD TO FOF		1968	1969	1970	TOTAL	GROSS PROFIT PERCENTAGE	RATIO OF FOF'S PRICE TO KRC'S COST
Holmes, F.F. # 1 Fee, Ginger	Texas	Wood Rains	60.52	PRICE TO FOF	-	$137,165	-	$137,165		
				COST TO KRC	-	142,040	-	142,040		
				GROSS PROFIT	-	(4,875)	-	(4,875)	(3.55)	.97:1
Apache	New Mexico	Eddy Otero Chaves	50.00	PRICE TO FOF	-	-	$2,014,860	$2,014,860		
				COST TO KRC	-	-	466,671	466,671		
				GROSS PROFIT	-	-	1,548,189	1,548,189	76.84	4.32:1
Hudson Bay Prospect	Canada	Northwest Territories	50.00	PRICE TO FOF	-	$585,735	-	$585,735		
				COST TO KRC	-	24,464	-	24,464		
				GROSS PROFIT	-	561,271	-	561,271	95.82	23.94:1
Miller, M.O. (A) #1-29 Crab Lake	Louisiana	Cameron Parish	25.00	PRICE TO FOF	-	$102,675	-	$102,675		
				COST TO KRC	-	53,633	-	53,633		
				GROSS PROFIT	-	49,042	-	49,042	47.76	1.91:1
Northern Powder River Basin Exploration Program	Montana Wyoming	Various	50.00	PRICE TO FOF	$1,000,964	-	-	$1,000,964		
				COST TO KRC	433,672	$11,151	-	445,023		
				GROSS PROFIT	567,092	(11,151)	-	555,941	55.54	2.25:1
Northern Powder River Basin Exploration Program	Montana	Rosebud	25.00	PRICE TO FOF	-	$161,226	-	$161,226		
				COST TO KRC	-	37,341	($60)	37,281		
				GROSS PROFIT	-	123,885	60	123,945	76.88	4.32:1
Norman Wells Reef Program	Canada	Northwest Territories	50.00	PRICE TO FOF	-	-	$2,000,000	$2,000,000		
				COST TO KRC	-	-	747,977	747,977		
				GROSS PROFIT	-	-	1,252,023	1,252,023	62.60	2.67:1
Offshore Texas Exploration Program	Texas	Brazoria Galveston Jefferson	50.00	PRICE TO FOF	-	$692,980	$370,377	$1,063,357		
				COST TO KRC	-	284,825	207,956	492,781		
				GROSS PROFIT	-	408,155	162,421	570,576	53.66	2.16:1
Chibougamau Rosanueau	Canada	Ontario	50.00	PRICE TO FOF	$112,250	-	-	$112,250		
				COST TO KRC	85,000	$9,603	-	94,603		
				GROSS PROFIT	27,250	(9,603)	-	17,647	15.72	1.19:1

WELL OR PROSPECT	COUNTRY OR STATE	LOCATION	% OF KRC's INTEREST SOLD TO FOF		1968	1969	1970	TOTAL	GROSS PROFIT PERCENTAGE	RATIO OF FOF'S PRICE TO KRC'S COST
Otelnuk Lake	Canada	Alberta	50.00	PRICE TO FOF	-	-	$300,000	$300,000		
				COST TO KRC	-	-	89,805	89,805		
				GROSS PROFIT	-	-	210,195	210,195	70.07	3.34:1
Punichy 6-13-28-17 Raymore Prospect	Canada	Saskatchewan	50.00	PRICE TO FOF	$303,215	-	-	$303,215		
				COST TO KRC	270,696	-	-	270,696		
				GROSS PROFIT	32,519	-	-	32,519	10.72	1.12:1
Rock Springs Uplift	Colorado Wyoming	Various	50.00	PRICE TO FOF	-	$829,850	-	$829,850		
				COST TO KRC	-	243,869	($7,792)	236,077		
				GROSS PROFIT	-	585,981	7,792	593,773	71.55	3.52:1
Southern Powder River Basin Program	Wyoming	Laramie	25.00	PRICE TO FOF	$774,000	-	-	$774,000		
				COST TO KRC	324,751	-	-	324,751		
				GROSS PROFIT	449,249	-	-	449,249	58.04	2.38:1
State Tract 39-L #1 Southeast High Island	Texas	Jefferson (Offshore)	50.00	PRICE TO FOF	-	$199,165	-	$199,165		
				COST TO KRC	-	173,185	($3,546)	169,639		
				GROSS PROFIT	-	25,980	3,546	29,526	14.82	1.17:1
State Tract 309L #1 South Freeport Area	Texas	Brazoria (Offshore)	50.00	PRICE TO FOF	-	$120,070	-	$120,070		
				COST TO KRC	-	132,756	-	132,756		
				GROSS PROFIT	-	(12,686)	-	(12,686)	(10.57)	.90:1
Strathcona Prospect	Canada	Baffin Island	50.00	PRICE TO FOF	-	$4,000,000	$6,000,000	$10,000,000		
				COST TO KRC	-	138,750	111,144	249,894		
				GROSS PROFIT	-	3,861,250	5,888,856	9,750,106	97.50	40.02:1
Sundance #6-2-56-17	Canada	Alberta	12.50	PRICE TO FOF	$167,470	-	-	$167,470		
				COST TO KRC	167,470	($12,745)	-	154,725		
				GROSS PROFIT	-	12,745	-	12,745	7.61	1.08:1
Uinta Basin Exploration Program, South	Utah	Duchesne	50.00	PRICE TO FOF	-	$415,625	-	$415,625		
				COST TO KRC	-	122,191	($7,402)	114,789		
				GROSS PROFIT	-	293,434	7,402	300,836	72.38	3.62:1

WELL OR PROSPECT	COUNTRY OR STATE	LOCATION	% OF KRC's INTEREST SOLD TO FOF		1968	1969	1970	TOTAL	GROSS PROFIT PERCENTAGE	RATIO OF FOF'S PRICE TO KRC'S COST
Uranium Claims and Leases	Several States	Various	Various	PRICE TO FOF	$1,500,000	$217,350	-	$1,717,350		
				COST TO KRC	216,220	201,410	-	417,630		
				GROSS PROFIT	1,283,780	15,940	-	1,299,720	75.68	4.11:1
Wager Prospect	Canada	Northwest Territories	50.00	PRICE TO FOF	-	-	$700,000	$700,000		
				COST TO KRC	-	-	136,673	136,673		
				GROSS PROFIT	-	-	563,327	563,327	80.48	5.12:1
Western Williston Basin Program	Montana	Phillips Valley	50.00	PRICE TO FOF	-	$287,000	-	$287,000		
				COST TO KRC	-	84,340	($5,105)	79,235		
				GROSS PROFIT	-	202,660	5,105	207,765	72.39	3.62:1
	CONTINENT	LOCATION								
By International Resources Ltd.:										
5 CSADC Joint Venture (Diamond Interests)	Africa	South Southwest	50.00	PRICE TO FOF	-	$6,000,000	-	$6,000,000		
				COST TO KRC	-	11,968	-	11,968		
				GROSS PROFIT	-	5,988,032	-	5,988,032	99.80	501.34:1
Port Gentil Permit FVL, FVF and Vafron Marine	Africa	Gabon	50.00	PRICE TO FOF	-	$2,500,000	-	$2,500,000		
				COST TO KRC	-	1,644,110	-	1,644,110		
				GROSS PROFIT	-	855,890	-	855,890	34.24	1.52:1
				TOTAL PRICE TO FOF	$7,084,099	$29,117,107	$11,885,237	$48,086,443		
				TOTAL COST TO KRC	1,540,009	4,120,853	2,243,803	7,904,665		
				TOTAL GROSS PROFIT	$5,544,090	$24,996,254	$9,641,434	$40,181,778	83.56	6.08:1

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1968	SALES	COSTS	GROSS PROFIT	CROSS PROFIT PERCENTAGE	RATIO OF PRICE TO COST
TOTAL OF LEASE PRICES AND COSTS AS DETAILED ABOVE	$7,084,099	$1,540,009	$5,544,090	78.26	4.60:1
ADD:					
Other lease sales to FOF not scheduled	810,137	558,091			
Drilling and completion sales to FOF	3,935,000	2,756,901			
	11,829,236	4,855,001	6,974,235	58.96	2.44:1
Sales to other entities	20,576,303	17,394,294	3,182,009	15.46	1.18:1
	32,405,539	22,249,295	10,156,244	31.34	1.46:1
Proceeds from asset sales	12,079,489				
Sale of Plainsicle property	953,729	156,446			
Cost of non-producing leaseholds and royalties		2,742,102			
Cost of producing leases sold		1,996,057			
Geologic inventory reserve abandoned		756,748			
Sales promotion and activity		549,497			
Crossfield plant	177,600	197,413			
Commissions		261,073			
Other	716,930	578,065			
SALES OF RESOURCE INTERESTS, RELATED SERVICES AND OTHER PER AUDITED FINANCIAL STATEMENTS	$46,333,287	$29,486,696	$16,846,591	36.36	1.57:1

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1969	SALES	COSTS	GROSS PROFIT	GROSS PROFIT PERCENTAGE	RATIO OF PRICE TO COST
TOTAL OF LEASE PRICES AND COSTS AS DETAILED ABOVE	$29,117,107	$ 4,120,853	$24,996,254	85.85	7.07:1
Add:					
Other lease sales not scheduled	1,268,525	1,181,190			
Drilling and completion sales to FOF	10,873,690	8,215,970			
	41,259,322	13,518,013	27,741,309	67.24	3.05:1
Sales to other entities	63,840,823	48,551,080	15,289,759	23.95	1.31:1
	105,100,145	62,069,093	43,031,052	40.94	1.69:1
Sale of refinery	4,540,788	4,346,104			
Commissions		3,484,383			
General and administrative costs allocated		4,559,597			
Geologic inventory abandoned as worthless		1,229,674			
Sales promotion and activity		430,930			
Other	700,154	1,094,338			
SALES OF RESOURCE INTERESTS AND RELATED SERVICES AND OTHER PER AUDITED FINANCIAL STATEMENTS	$110,341,087	$77,214,119	$33,126,968	30.02	1.43:1

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1979	SALES	COSTS	CROSS PROFIT	CROSS PROFIT PERCENTAGE	RATIO OF PRICE TO COST
TOTAL OF LEASE PRICES AND COSTS AS DETAILED ABOVE	$11,885,237	$ 2,243,803	$9,641,434	81.12	5.30:1
ADD:					
Other lease sales to FOF not scheduled	144,390	320,432			
Drilling and completion sales to FOF	2,826,212	2,765,784			
	14,855,839	5,330,019	9,525,820	64.12	2.79:1
Sales to other entities	13,597,575	8,959,159	4,638,416	34.11	1.52:1
	28,453,414	14,289,178	14,164,236	49.78	1.99:1
Commissions		684,185			
Sales of seismic data	509,285	74,592			
Management fee income	81,319				
General and administrative costs allocated		8,812,838			
Other	248,195	429,263			
SALES OF RESOURCE INTERESTS AND RELATED SERVICES AND OTHER PER AUDITED FINANCIAL STATEMENTS	$29,292,213	$24,290,056	$5,002,157	17.08	1.21:1

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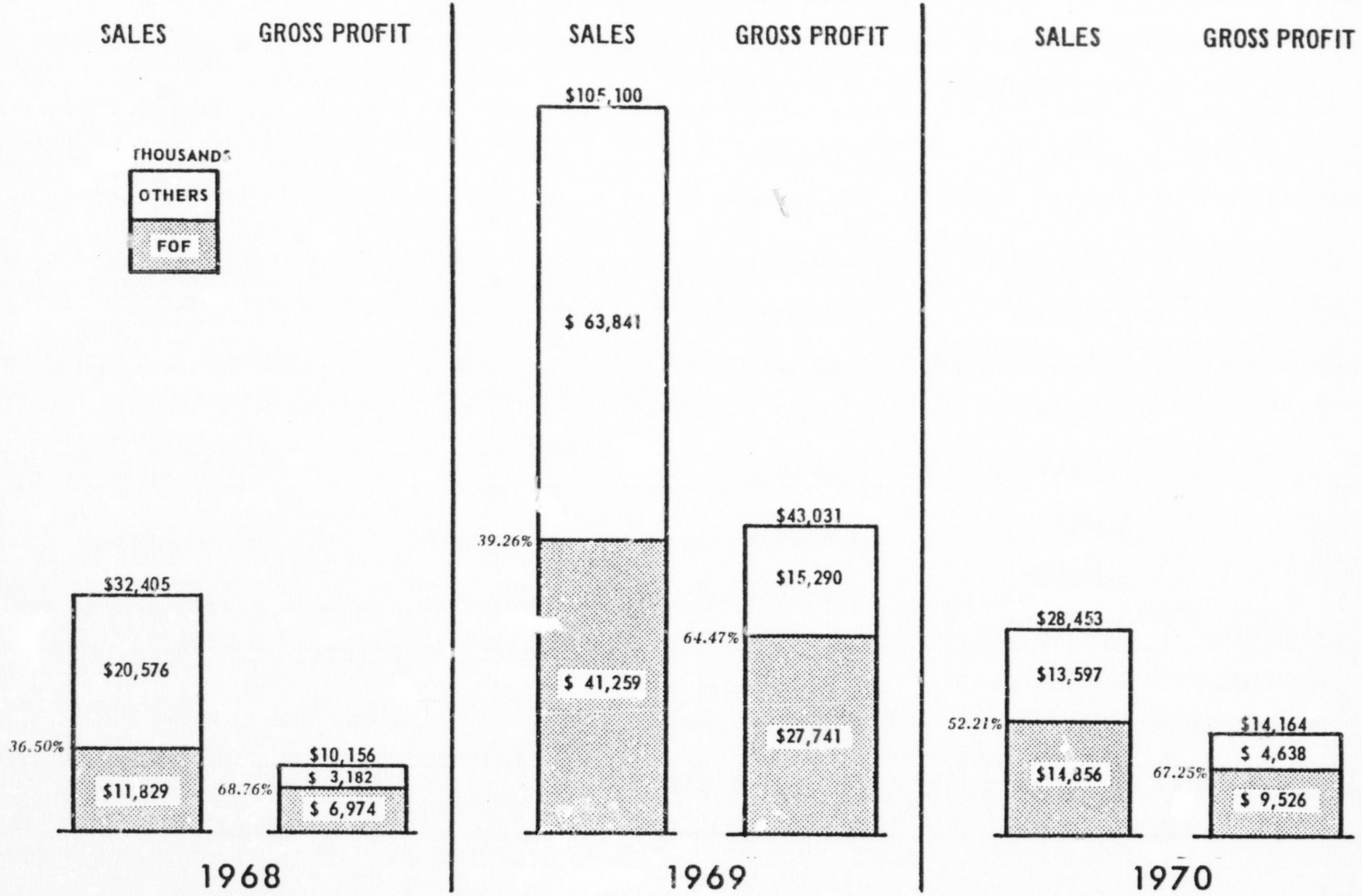
SALES AND GROSS PROFIT
FROM SALES OF RESOURCE INTERESTS AND RELATED SERVICES
KING RESOURCES COMPANY
THREE YEARS ENDED DECEMBER 31, 1970



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SUMMARY OF LEASE SALES TO FUND OF FUNDS, LIMITED (FOF)
AND RELATED COSTS TO THE COLORADO CORPORATION (CC)
Two Years Ended December 31, 1970

WELL OR PROSPECT	COUNTRY OR STATE	LOCATION	% OF CC's INTEREST SOLD TO FOF		1969	1970	TOTAL	GROSS PROFIT PERCENTAGE	RATIO OF FOF's PRICE TO CC's COST
Mineral Prospects									
001 - Green Mountain Uranium Exploration Program	Wyoming	Fremount Sweetwater	15.00%	PRICE TO FOF	$497,187.50	$148,687.41	$645,874.91		
				COST TO CC	119,941.74	51,489.07	171,430.81		
				GROSS PROFIT	377,245.76	97,198.34	474,444.10	73.46	3.77:1
002 - South Grand River Prospect (Uranium)	S. Dakota	Perkins Harding	75.00	PRICE TO FOF	$232,462.41	$12,572.10	$245,034.51		
				COST TO CC	54,397.19	8,581.92	62,979.11		
				GROSS PROFIT	178,065.22	3,990.18	182,055.40	74.30	3.89:1
003 - North Grand River Prospect (Uranium)	S. Dakota	Perkins Harding	75.00	PRICE TO FOF	$569,901.99	$42,847.19	$612,749.18		
				COST TO CC	113,789.71	18,719.60	132,509.31		
				GROSS PROFIT	456,112.28	24,127.59	480,239.87	78.37	4.62:1
004 - Chalky Buttes Area (Uranium)	N. Dakota	Slope Bowman Adams	75.00	PRICE TO FOF	$228,356.64	$66,889.61	$295,246.25		
				COST TO CC	69,268.05	30,867.05	100,135.10		
				GROSS PROFIT	159,088.59	36,022.56	195,111.15	66.08	2.95:1
005 - Round Up Area (Uranium)	Montana	Musselshell Yellowstone	75.00	PRICE TO FOF	$276,833.59	$20,736.41	$297,570.00		
				LESS KRC FEE	(27,052.00)	-	(27,052.00)		
				REVENUE TO CC	249,781.59	20,736.41	270,518.00		
				COST TO CC	71,156.61	23,865.42	95,022.03		
				GROSS PROFIT	178,624.98	(3,129.01)	175,495.97	64.87	3.13:1
006 - Skyline Prospect (Copper)	Canada	British Columbia	75.00	PRICE TO FOF	$1,224,700.00	$97,500.00	$1,322,200.00		
				LESS KRC FEE	(120,200.00)	-	(120,200.00)		
					1,104,500.00	97,500.00	1,202,000.00		
				COST TO CC	52,910.77	234,120.63	287,031.40		
				GROSS PROFIT	1,051,589.23	(136,620.63)	914,968.60	76.12	4.61:1

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WELL OR PROSPECT	COUNTRY OR STATE	LOCATION	% OF CC's INTEREST SOLD TO FOF		1969	1970	TOTAL	GROSS PROFIT PERCENTAGE	RATIO OF FOF's PRICE TO CC's COST
007 - Hyland River Prospect (Gold)	Canada	British Columbia Yukon	40.00	PRICE TO FOF	$2,576,090.63	$ 88,459.37	$2,664,550.00		
				LESS KRC FEE	(242,232.00)	-	(242,232.00)		
				REVENUE TO CC	2,333,858.63	88,459.37	2,422,318.00		
				COST TO CC	123,441.22	136,274.89	259,716.11		
				GROSS PROFIT	2,210,417.41	(47,815.52)	2,162,601.89	89.28	10.26:1
008 - Telkwa Pass Prospect (Copper)	Canada	British Columbia	75.00	PRICE TO FOF	$145,825.00	$75,000.00	$220,825.00		
				LESS KRC FEE	(20,075.00)	-	(20,075.00)		
				REVENUE TO CC	125,750.00	75,000.00	200,750.00		
				COST TO CC	37,793.25	28,308.05	66,101.30		
				GROSS PROFIT	87,956.75	46,691.95	134,648.70	67.07	3.34:1
009 - Premier-Atna Prospect (Copper)	Canada	British Columbia	75.00	PRICE TO FOF	$212,500.00	$131,250.00	$343,750.00		
				LESS KRC FEE	(31,250.00)	-	(31,250.00)		
				REVENUE TO CC	181,250.00	131,250.00	312,500.00		
				COST TO CC	56,689.70	113,142.63	169,832.33		
				GROSS PROFIT	124,560.30	18,107.37	142,667.67	45.65	2.02:1
010 - Mt. Sicker (Copper, Zinc, Silver and Gold)	Canada	British Columbia	75.00	PRICE TO FOF	$331,250.00	$150,000.00	$481,250.00		
				LESS KRC FEE	(43,750.00)	-	(43,750.00)		
				REVENUE TO CC	287,500.00	150,000.00	437,500.00		
				COST TO CC	68,027.56	(1,554.81)	66,472.75		
				GROSS PROFIT	219,472.44	151,554.81	371,027.25	84.81	7.24:1
011 - Sand Creek Prospect (Uranium)	Wyoming	Converse	75.00	PRICE TO FOF	-	$286,640.00	$286,640.00		
				COST TO CC	-	71,110.77	71,110.77		
				GROSS PROFIT	-	215,529.23	215,529.23	75.19	4.03:1
012 - Trapper Copper Whitehorse Mining Division	Canada	Yukon Territory	60.00	PRICE TO FOF	-	$913,500.00	$913,500.00		
				COST TO CC	-	48,943.08	48,943.08		
				GROSS PROFIT	-	864,556.92	864,556.92	94.64	18.66:1

WELL OR PROSPECT	COUNTRY OR STATE	LOCATION	% OF CC's INTEREST SOLD TO FOF		1969	1970	TOTAL	GROSS PROFIT PERCENTAGE	RATIO OF FOF's PRICE TO CC's COST
Oil and Gas prospects									
101 - Black Warrior Basin	Alabama Mississippi	Various	75.00	PRICE TO FOF	$391,522.55	$262,288.00	$653,810.55		
				COST TO CC	129,456.03	72,499.30	201,955.33		
				GROSS PROFIT	262,066.52	189,788.70	451,855.22	69.11	3.24:1
103 - New Underwood	S. Dakota	Meade Pennington	75.00	PRICE TO FOF	$490,914.88	$1,310.54	$492,225.42		
				COST TO CC	85,825.88	(6,791.28)	79,034.60		
				GROSS PROFIT	405,089.00	8,101.82	413,190.82	83.94	6.23:1
104 - Lake Area	Wyoming	Albany	75.00	PRICE TO FOF	$171,719.35	-	$171,719.35		
				COST TO CC	64,950.37	$2,782.31	67,732.68		
				GROSS PROFIT	106,768.98	(2,782.31)	103,986.67	60.56	2.54:1
105 - Bricker Ranch Field	Wyoming	Campbell	49.46	PRICE TO FOF	$200,000.00	-	$200,000.00		
				COST TO CC	135,315.22	$268.28	135,583.50		
				GROSS PROFIT	64,684.78	(268.28)	64,416.50	32.21	1.48:1
106 - Dalhart Basin	Texas Oklahoma	Various	75.00	PRICE TO FOF	$265,365.45	-	$265,365.45		
				COST TO CC	86,989.99	$400.65	87,390.64		
				GROSS PROFIT	178,375.46	(400.65)	177,974.81	67.07	3.04:1
107 - Dawson Creek Area (Hay River)	Canada	British Columbia	75.00	PRICE TO FOF	$85,243.85	-	$85,243.85		
				COST TO CC	32,609.62	($296.23)	32,313.39		
				GROSS PROFIT	52,634.23	296.23	52,930.46	62.09	2.64:1
108 - North Flank Area	Wyoming	Crook	50.00	PRICE TO FOF	$193,285.70	-	$193,285.70		
				COST TO CC	39,934.02	($6,683.38)	33,250.64		
				GROSS PROFIT	153,351.68	6,683.38	160,035.06	82.80	5.81:1
109 - Cheyenne River	S. Dakota	Perkins Zieback Dewey	75.00	PRICE TO FOF	$460,209.75	-	$460,209.75		
				COST TO CC	228,536.38	$498.62	229,035.00		
				GROSS PROFIT	231,673.37	(498.62)	231,174.75	50.23	2.01:1

WELL OR PROSPECT	COUNTRY OR STATE	LOCATION	% OF CC's INTEREST SOLD TO FOF		1969	1970	TOTAL	GROSS PROFIT PERCENTAGE	RATIO OF FOF's PRICE TO CC's COST
110 - Northern Big Horn Area	Montana	Carbon Stillwater Sweet Grass	75.00	PRICE TO FOF	$728,550.00	-	$728,550.00		
				LESS KRC FEE	(66,233.00)	-	(66,233.00)		
				REVENUE TO CC	662,317.00	-	662,317.00		
				COST TO CC	302,545.50	$23,709.68	326,255.18		
				GROSS PROFIT	359,771.50	(23,709.68)	336,061.82	50.74	2.23:1
111 - Leonville Prospect	Louisiana	St. Landry Parish	75.00	PRICE TO FOF	$402,375.00	-	$402,375.00		
				COST TO CC	280,375.44	-	280,375.44		
				GROSS PROFIT	121,999.56	-	121,999.56	30.32	1.44:1
113 - Brazos Area (Offshore)	Texas	Brazos	75.00	PRICE TO FOF	$396,330.00	-	$396,330.00		
				COST TO CC	279,630.00	-	279,630.00		
				GROSS PROFIT	116,700.00	-	116,700.00	29.45	1.42:1
117 - Black Mountain Anticline	Idaho	Bonneville	75.00	PRICE TO FOF	$27,805.00	-	$27,805.00		
				LESS KRC FEE	(2,529.00)	-	(2,529.00)		
				REVENUE TO CC	25,276.00	-	25,276.00		
				COST TO CC	11,299.40	($5,519.44)	5,779.96		
				GROSS PROFIT	13,976.60	5,519.44	19,496.04	77.13	4.81:1
121 - Hatcher Lake Prospect	Canada	Alberta	75.00	PRICE TO FOF	$43,430.40	-	$43,430.40		
				COST TO CC	16,511.34	($1,141.12)	15,370.22		
				GROSS PROFIT	26,919.06	1,141.12	28,060.18	64.61	2.83:1
122 - Coutts River Prospect	Canada	Alberta	75.00	PRICE TO FOF	$119,040.00	$94,997.56	$214,037.56		
				COST TO CC	48,139.53	(2,431.63)	45,707.90		
				GROSS PROFIT	70,900.47	97,429.19	168,329.66	78.64	4.68:1
123 - Square Creek	Canada	Alberta	75.00	PRICE TO FOF	$154,095.70	-	$154,095.70		
				LESS KRC FEE	(12,675.00)	-	(12,675.00)		
				REVENUE TO CC	141,420.70	-	141,420.70		
				COST TO CC	48,711.87	($3,329.93)	45,381.94		
				GROSS PROFIT	92,708.83	3,329.93	96,038.76	67.91	3.40:1

WELL OR PROSPECT	COUNTRY OR STATE	LOCATION	% OF CC's INTEREST SOLD TO FOF		1969	1970	TOTAL	GROSS PROFIT PERCENTAGE	RATIO OF FOF's PRICE TO CC's COST
124 - Notikewin Prospect	Canada	Alberta	75.00	PRICE TO FOF	$157,215.00	-	$157,215.00		
				LESS KRC FEE	(14,295.00)	-	(14,295.00)		
				REVENUE TO CC	142,920.00	-	142,920.00		
				COST TO CC	50,650.28	($3,470.52)	47,179.76		
				GROSS PROFIT	92,269.72	3,470.52	95,740.24	66.99	3.33:1
125 - Freezeout Creek Area	Colorado	Baca Los Animas	75.00	PRICE TO FOF	$1,240,200.00	-	$1,240,200.00		
				LESS KRC FEE	(112,747.00)	-	(112,747.00)		
				REVENUE TO CC	1,127,453.00	-	1,127,453.00		
				COST TO CC	391,121.99	$5,918.78	397,040.77		
				GROSS PROFIT	736,331.01	(5,918.78)	730,412.23	64.78	3.12:1
126 - Haakon Area	S. Dakota	Haakon	75.00	PRICE TO FOF	$801,685.00	$933,101.00	$1,734,786.00		
				LESS KRC FEE	(72,880.00)	-	(72,880.00)		
				REVENUE TO CC	728,805.00	933,101.00	1,661,906.00		
				COST TO CC	277,105.73	354,177.04	631,282.77		
				GROSS PROFIT	451,699.27	578,923.96	1,030,623.23	62.01	2.75:1
127 - West Sweetville Prospect	Louisiana	Beauregard Parish	75.00	PRICE TO FOF	$278,675.00	-	$278,675.00		
				LESS KRC FEE	(30,445.00)	-	(30,445.00)		
				REVENUE TO CC	248,230.00	-	248,230.00		
				COST TO CC	153,334.59	$6,697.57	160,032.16		
				GROSS PROFIT	94,895.41	(6,697.57)	88,197.84	35.53	1.74:1
128 - Deep Jurassic Trend	Texas	Gonzales	75.00	PRICE TO FOF	$194,530.00	-	$194,530.00		
				LESS KRC FEE	(17,688.00)	-	(17,688.00)		
				REVENUE TO CC	176,842.00	-	176,842.00		
				COST TO CC	119,536.05	($10,729.98)	108,806.07		
				GROSS PROFIT	57,305.95	10,729.98	68,035.93	38.47	1.79:1
130 - Burroughs Ranch Prospect	Texas	Gonzales	75.00	PRICE TO FOF	$74,580.00	-	$74,580.00		
				LESS KRC FEE	(6,780.00	-	(6,780.00		
				REVENUE TO CC	67,800.00	-	67,800.00		
				COST TO CC	34,232.01	$8,970.81	43,202.82		
				GROSS PROFIT	33,567.99	(8,970.81)	24,597.18	36.28	1.73:1

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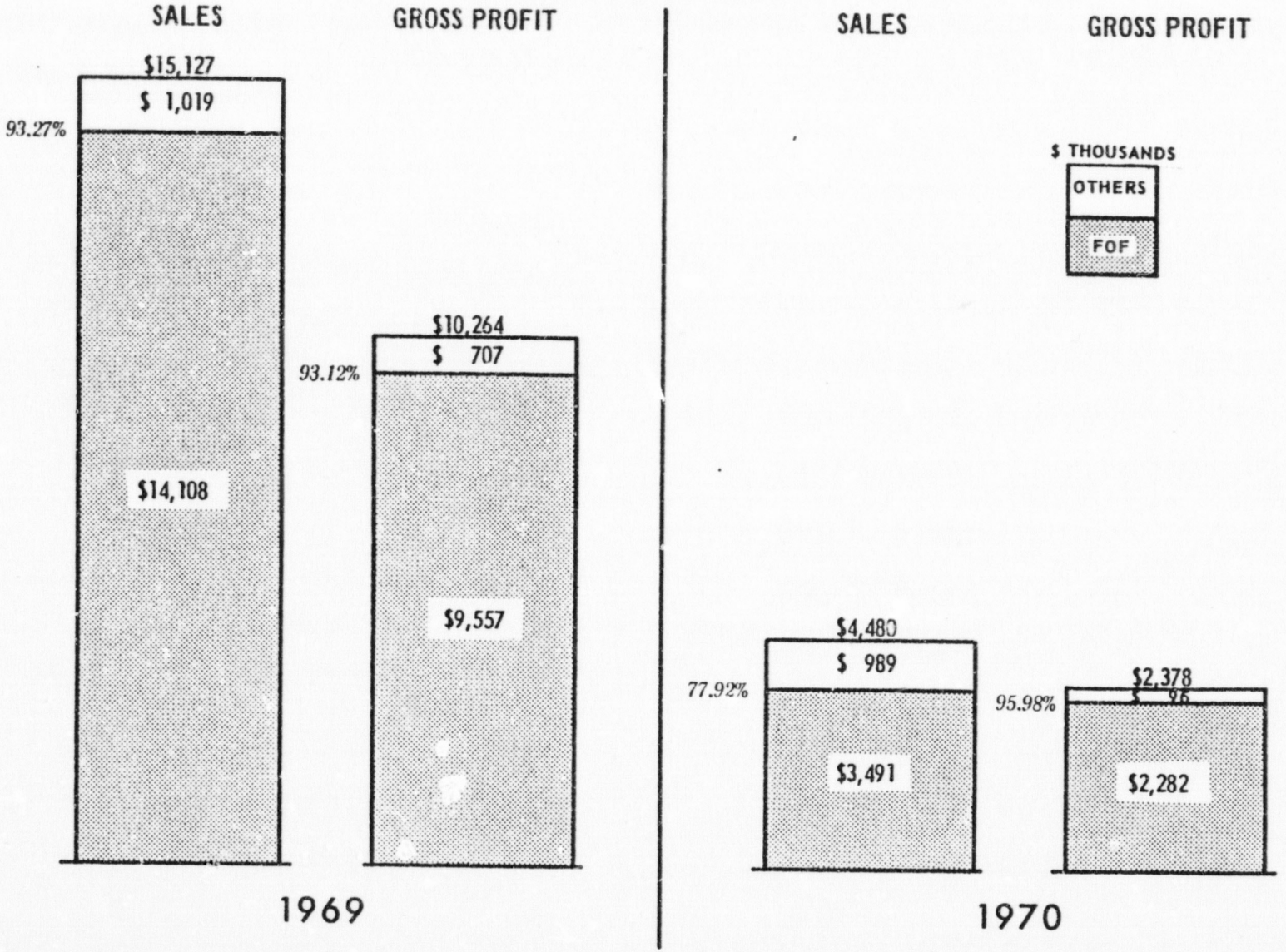
WELL OR PROSPECT	COUNTRY OR STATE	LOCATION	% OF CC's INTEREST SOLD TO FOF		1969	1970	TOTAL	GROSS PROFIT PERCENTAGE	RATIO OF FOF's PRICE TO CC's COST
131 - Liberian Concession	Liberia	Africa	75.00	PRICE TO FOF	$984,640.00	-	$984,640.00		
				LESS KRC FEE	(107,240.00)	-	(107,240.00)		
				REVENUE TO CC	877,400.00	-	877,400.00		
				COST TO CC	86,617.39	$1,827.61	88,445.00		
				GROSS PROFIT	790,782.61	(1,827.61)	788,955.00	89.92	11.13:11
132 - Lubicon Prospect	Canada	Alberta	75.00	PRICE TO FOF	-	$165,380.00	$165,380.00		
				COST TO CC	-	7,457.30	7,457.30		
				GROSS PROFIT	-	157,922.70	157,922.70	95.49	22.18:1
				TOTAL PRICE TO FOF	$14,156,520.39	$3,491,159.19	$17,647,679.58		
				LESS KRC FEES	(928,071.00)	-	(928,071.00)		
				TOTAL REVENUES TO CC	13,228,449.39	3,491,159.19	16,719,608.58		
				COST TO CC	3,670,844.43	1,208,682.74	4,879,527.17		
				TOTAL GROSS PROFIT	$9,557,604.96	$2,282,476.45	$11,840,081.41	70.82	3.62:1

A 8[illegible]

	SALES	COSTS	GROSS PROFIT	GROSS PROFIT PERCENTAGE	RATIO OF PRICE TO COST
---------- 1969 ----------					
TOTAL OF LEASE REVENUES AND COSTS AS DETAILED ABOVE	$13,228,449.39	$3,670,844.43	$9,557,604.96	72.25	3.60:1
ADD:					
F.O.F. revenues attributed to drilling	879,403.68	879,403.68			
	14,107,853.07	4,550,248.11	9,557,604.96	67.75	3.10:1
Sales to other entities	1,018,750.00	312,066.74	706,683.26	69.37	3.26:1
	15,126,603.07	4,862,314.85	10,264,288.22	67.86	3.11:1
Sale of net operating profits interests	2,072,034.90	2,072,557.90			
Recognition of deferred income and other	52,205.57	29,854.02			
Total Sales By Colorado Group	17,250,843.54	6,964,726.77	10,286,116.77	59.63	2.48:1
IAMC, ROYAL, AND DENVER GROUP REVENUES					
GADC land sales costs		9,870,283.35			
Commission and service fees paid by KRC	2,573,078.93				
Other sales and costs of resource interests and related services	20,321,362.37	13,471,236.87			
	22,894,441.30	23,341,520.22	(447,078.92)	(.02)	.98:1
SALE OF RESOURCE INTERESTS AND RELATED SERVICES PER AUDITED FINANCIAL STATEMENTS	$40,145,284.84	$30,306,246.99	$9,839,037.85	24.51	1.32:1
---------- 1970 ----------					
TOTAL OF LEASE SALES AND COSTS AS DETAILED ABOVE	$3,491,159.19	$1,208,682.74	$2,282,476.45	65.38	2.89:1
ADD:					
Sales to other entities	989,004.85	893,491.01	95,513.84	9.66	1.11:1
Total Sales By Colorado Group	$4,480,164.04	$2,102,173.75	$2,377,990.29	53.08	2.13:1

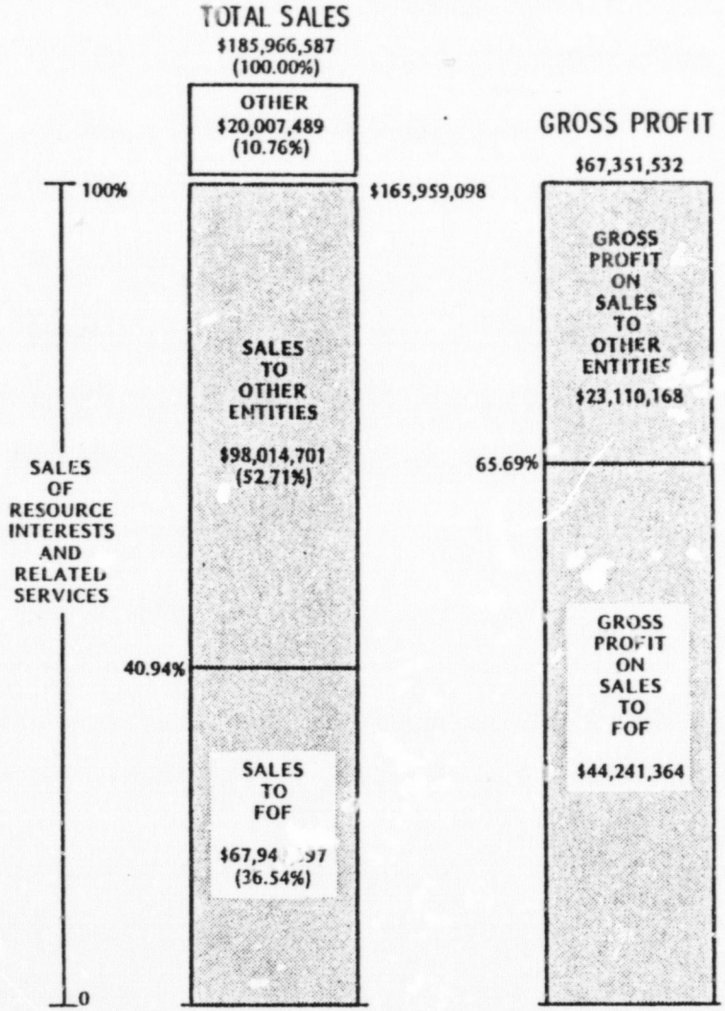
SALES AND GROSS PROFIT
FROM SALES OF RESOURCE INTERESTS AND RELATED SERVICES
THE COLORADO GROUP
TWO YEARS ENDED DECEMBER 31, 1970



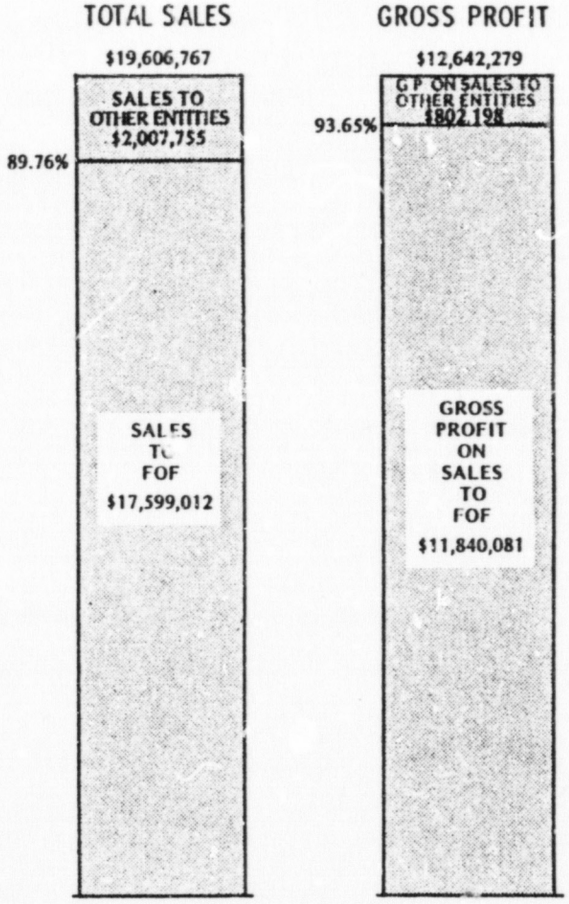
A863

SALES AND GROSS PROFIT
FROM SALES OF RESOURCE INTERESTS AND RELATED SERVICES

KING RESOURCES COMPAN
THREE YEARS ENDED 12/31/70



THE COLORADO GROUP
TWO YEARS ENDED 12/31/70



A 863

Exh. 48i

FROM THE DESK OF – Timothy G. Lowry

A864

KH-E

KH-E

A 864

11/24/76

A.R. Birdsall

Herewith letter to me from Ed. Cavett outlining his understanding of the arrangements between K.R.C. & F.O.F.

TGL

cc: Roger Davis
Tamis Tarbell
Paul Kayser
John M. Kinney

A865

A 865

Emco Financial Services S.A.

November 11, 1970

Timothy G. Lowry, Esq.
135 South La Salle Street
Chicago, Illinois
U.S.A.

Dear Tim:

This letter is written in response to your telephone call of Monday, November 9, during which you requested that I provide you with my best recollections of the arrangements made as to the presumed basis of property acquisitions by F.O.F. Proprietary Funds Ltd. from King Resources ("KR") and affiliated companies.

Please be advised that, to the best of my recollections:

1. There was no written document dealing with the subject.

2. The first specific conversations held with respect to the operations of the Natural Resources Proprietary Fund ("Prop Fund") took place in Geneva in February or March of 1968. John King, Rowland Boucher and other KR personnel were present. Among the IOS participants in the conversations were Bernard Cornfeld, Henry Buhl and I.

3. John King, Rowland Boucher and Dr. Fredrickson next made a formal presentation to the Directors of The Fund of Funds, Limited ("FOF") in Acapulco in early April of 1968.

4. At the Acapulco meeting, the FOF Board approved the concept of a proprietary fund account to invest in natural resource properties; Eric Scott was assigned the responsibility of checking into the capabilities of the KR organization and of establishing appropriate procedures pursuant to which investments would be made by the Prop Fund.

5. It was only after Eric Scott had visited Denver, and had subsequently advised me that an appropriate procedure for investing had been worked out, that the first investments were made by the Prop Fund.

6. It was my express understanding (and, I believe, the express understanding of each of the FOF Directors) that:

a. Without specific approval, no investment was to be made by the Prop Fund in any resource property, unless KR or affiliated companies had a meaningful investment in the same properties. This was generally understood to be a 50/50 relationship. (However, it was recognized that there would be instances where the Prop Fund had less than a 50% interest, as well as instances where KR, by reason of the limitation of its own resources, would hold less than a 50% interest. In no event was the Prop Fund to have more than a 50% interest.)

b. KR was to have a 12½% "net operating profits" interest in respect of any property acquired by the Prop Fund. (I must confess my own naiveté was such that I did not understand the true significance between a "net operating profits" interest and a "profit sharing management" fee.)

c. The prices to be paid by the Prop Fund were to be no higher than what would be paid by knowledgable industry purchasers on a negotiated arms-length basis. (While I understood that KR might vend properties out of its inventory to the Prop Fund at a mark-up, I viewed the standard set forth in the previous sentence as protecting the Prop Fund; and, when I visualized sales from "inventory", I was thinking in terms of properties held by KR for a meaningful period of time prior to vending, during which period the values of the properties had presumably appreciated by virtue of intervening events.)

7. I understood that KR and affiliated companies would, of course, in setting a price to be paid by the Prop Fund for a resource property, add to the direct cost of the property a reasonable amount to cover investigative and administrative costs incurred as a result

./...

of the property acquisition program.

8. I also understood that KR or affiliated companies might perform drilling, coring or other services in connection with property exploration and development; I was specifically advised by John King and/or Rowland Boucher that amounts billed for such work would generally be calculated on a cost plus 7% or 8% profit basis.

I might add that in the last few months I have been advised by IOS personnel that in several instances properties were acquired by KR or affiliated companies one day and vended (either that same day or almost immediately thereafter) to the Prop Fund at a 10 times or 20 times mark-up. Such a practice was clearly contrary to the understandings motivating IOS/FOF to enter into and to continue the relationship with KR.

a. If KR could buy property at $x, this was a clear indication of the value of such property to knowledgable industry purchasers.

b. If a tract of acreage was purchased by KR for $1 an acre, with a "turn-about" vending to the Prop Fund at a price of $10 an acre for 50% of the position, such transaction would fly directly in the face of the underlying concept of KR having a meaningful investment in properties along with FOF. (It was never intended that FOF have a partner in resource properties who would have a "free ride". We never intended to play a "heads you win, tails I lose" game.)

I do not know all of the facts, and I can only hope that the reports which I have received from IOS personnel as to KR and affiliate excesses are untrue or grossly exaggerated.

If I can be of any further assistance to you in this matter, please advise.

Best regards,

Edward M. Cowett

Edward M. Cowett

A868 Exh. 480 A 868

reason of tax accomodation, we found ourselves on a position whereby (COUGH) we actually made a sale or -- a sale in '69, and we made a purchase in '70, and these things were meant to pull together, into some tax purpose some tax -- concept or something done with this action, advised me _____ legal didn't know, ended up in a box. The box namely being that you're buying from FOF, $18 million worth of interests, and you're selling to various people, $18 million worth of interests. And out goes _____....

_____: Did we buy 18...?

MacKenzie: Twenty-point-eight million dollars' worth first -- we're buying from them, and we're selling to other people, twenty-point-eight. Of that 20.8, ten million, approximately, is the share of Consolidated Oil and Gas. And again, in my opinion, they entered into a deal without (PAUSE) any kind of proper management assessment of the value of that deal. If they had come and talked with any one the going values, I think that their position would have been that they would have at least bargained hard. That's very ___?___ . On any ah, inspection of this deal that they entered into -- that Board of Directors, has got to be subject to an enormous shareholders' scrutiny, if I waas a shareholder at that price, considering going prices.

Frederickson: You say the price was too high, is that what you're saying?

MacKenzie: It was ridiculous. Secondly, we are finding ourselves in a position where we are prepared now, of considering relieving them of a substantial obligation, while we retain it, to, ah, Fund of Funds, in the very sincere hope that Fund of Funds is

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Δ Ex S2

KING RESOURCES COMPANY

Security Life Building, Denver, Colorado 80202
Area Code 303 Telephone 892-7171

January 20, 1970

Mr. John Mecom
Box 2565, 1500 Gray Street
Houston, Texas 77001

Dear Mr. Mecom:

Our auditors, Arthur Andersen & Co., are now engaged in an examination of our financial statements. In connection therewith, they desire to confirm certain information at December 31, 1969, with respect to your purchase of certain Canadian Federal Oil and Gas Exploration Permits, which was shown on our records as follows:

Date of Agreement:	December 24, 1969
Interest purchased by you:	1/64th of King Resources Company's working interest in the designated permits as set out on Exhibit A of Contract dated December 24, 1969
Total purchase price of the permits:	$2,609,120.50
Downpayment:	$ 260,912.05
Work obligation:	You are to pay King Resources Company 12½% of all costs of exploration required to earn and maintain the permits up to a total of $2,609,120.50; thereafter, your obligation is 1/64th of all subsequent exploration costs.
Payment terms:	Twelve equal installments of $413,110.75 each on the first days of June and October 1970 through October 1975. Such future installments are to be applied on exploration work until your share of costs of exploration shall have been paid; thereafter, all payments are to be applied on the purchase price.
Interest on future payments:	6% per annum from December 24, 1969.

Please state in the space below whether or not this is in agreement with your records at that date. If not, please furnish any information you may have which will assist the auditors in reconciling the difference.

Very truly yours,

KING RESOURCES COMPANY

By _____

Agreed to this _____ day of _____, 1970

By _____

Title _____

Marriott #x#4

A870

A 870

After signing and dating your reply, please mail it direct to Arthur Andersen & Co., 1700 Broadway, Denver, Colorado 80202. A stamped, addressed envelope is enclosed for your convenience.

Very truly yours,

KING RESOURCES COMPANY

A. Rowland Soucher

A. Rowland Soucher, President
President

Arthur Andersen & Co.:

The above information is in agreement with our records at December 31, 1969, with the following exceptions (if any):

Signed: John Mecom

Date: 1/27/70

By:

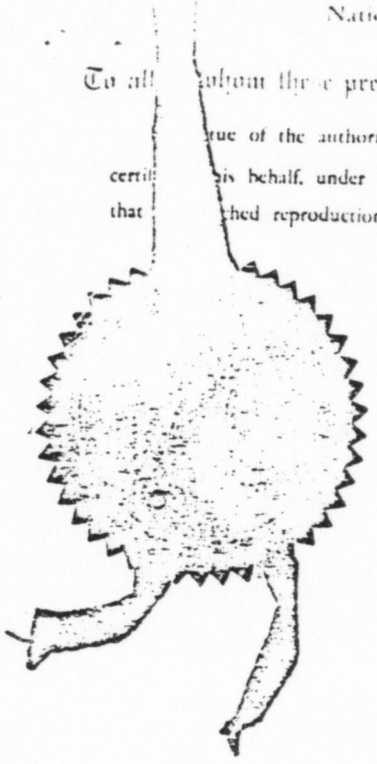
A871

A 871

National Archives and Records Service

To all [illegible] whom these presents shall come, Greeting

[illegible]rtue of the authority vested in me by the Administrator of General Services, I certif[illegible] his behalf, under the seal of the United States General Services Administration, that [illegible]ched reproduction(s) is a true and correct copy of documents in his custody.



Donald W. Tripp

DONALD W. TRIPP — 5-17-76

DIRECTOR

FEDERAL ARCHIVES AND RECORDS CENTER
P. O. BOX 6216
FORT WORTH, TEXAS 76115

GSA

USA 33s-475
(ED. 4-23-71)

EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.

U Id.

FPI-MI—5-26-76-25M-5315

A872 - O A 872

24214.

DEC 5 - 1970
ALTON L. CURTIS, CLERK
By [illegible] Deputy

UNITED STATES DISTRICT COURT

WESTERN DISTRICT OF LOUISIANA

LAKE CHARLES DIVISION

IN THE MATTER OF	:	IN PROCEEDINGS FOR AN
	:	
JOHN W. MECOM, SR., and his wife,	:	ARRANGEMENT NO. _____
	:	
MARY ELIZABETH MECOM	:	SECTION _____

PETITION FOR AN ARRANGEMENT UNDER

CHAPTER XI OF THE BANKRUPTCY ACT

TO THE HONORABLE JUDGES OF THE UNITED STATES DISTRICT COURT, WESTERN DISTRICT OF LOUISIANA, LAKE CHARLES DIVISION:

The petition of John W. Mecom, Sr., and his wife, Mary Elizabeth Mecom, respectfully represent that:

I.

Petitioners are husband and wife, and are engaged in the business of exploring for oil, gas and other hydrocarbons, the production thereof, and the sale of such production. Petitioners are individuals who could become bankrupt under the Bankruptcy Act and are not prohibited from seeking relief thereunder.

II.

Petitioners are unable to pay their debts as they mature.

III.

Petitioners have had their principal place of business in the Parish of Cameron, State of Louisiana, within the judicial district of this Court, for six months preceding the filing of this petition.

REFERRED TO REFEREE: L. Ray Shamburger DEC 4 - 1970

ALTON L. CURTIS, CLERK

By: [illegible]

Deputy Clerk

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IV.

Within the six months preceding the filing of this petition, petitioners have not been known by, and have not conducted any business by, or under any assumed trade or other name or designation, except that petitioners have been limited partners in a limited partnership and partnership in commendum, known as U. S. Oil of Louisiana, Ltd.

V.

No bankruptcy proceeding initiated by petitioners or against petitioners is now pending.

VI.

Petitioners intend to propose an arrangement, pursuant to Chapter XI of the Bankruptcy Act.

VII.

Attached hereto as Schedule "A", and verified by oath, is a list of petitioners' creditors and their addresses.

VIII.

Attached hereto as Schedule "B" is a summary of petitioners' assets and liabilities. In addition to the liabilities set forth in Schedule "B", petitioners have unconditionally guaranteed the following obligations: (a) the payment of notes payable to the order of the Bank of Nova Scotia and First City National Bank of Houston (Texas), on which U. S. Oil of Louisiana, Inc. hereinafter referred to as "USOLA" and the partnership, U. S. Oil of Louisiana, Ltd. (of which USOLA is the sole general partner and petitioners are limited partners), are jointly and severally liable in the unpaid principal amount (as of July 31, 1970) of

A 874

$17,463,682.09, (hereinafter referred to as "Bank Note") and the performance of all obligations of USOLA and the partnership under a certain bank loan agreement dated June 27, 1968 (hereinafter referred to as "Bank Loan Agreement"), and under certain instruments securing the Bank Note; (b) the payment of the 8% sinking funds notes of USOLA's wholly-owned subsidiary, Lake Washington, Inc. (hereinafter referred to as "LWI"), payable to the order of the Prudential Insurance Company of America, due June 26, 1980, in the aggregate unpaid principal amount of $44,000,000.00 (hereinafter referred to as "LWI Notes"), both principal and interest payable as provided in the LWI Notes and in a certain note purchase agreement dated June 27, 1968, between LWI and Prudential Insurance Company of America (hereinafter referred to as the "Prudential Agreement"), and all obligations under the Prudential Agreement and under certain security agreements securing the LWI Notes and Prudential Agreement; (c) the payment of two mortgage notes made by USOLA and payable to the order of Prudential Insurance Co. of America (hereinafter referred to as the "PRU Notes"), the first being dated August 23, 1963, in the unpaid principal amount (as of July 31, 1970) of $4,620,150.32 and finally maturing on March 26, 1974, and the second being dated January 6, 1965, in the unpaid principal amount (as of July 31, 1970) of $4,000,000.00, and finally maturing on October 26, 1976, and the performance of all obligations under the mortgages securing the PRU Notes. There are cross default provisions under the Bank Loan Agreement and the PRU Agreement and under the notes, mortgages and other security agreements executed in connection with or as security therefor.

deem necessary and advisable, for proper operation of the businesses; to buy and sell merchandise, supplies and other property for cash or credit, provided, however, that no merchandise will be sold for less than cost; to purchase for cash or on credit such materials, equipment, machinery, supplies, services or other property as debtors-in-possession may deem necessary and advisable in connection with the operation of the businesses and the management and preservation of the property; to enter into any contracts incidental to the normal and usual operation of the businesses and the management and preservation of the property; to keep the property of the debtors' estates insured in such manner and to such extent as debtors-in-possession may deem necessary and advisable; to collect and receive income and profit due or to become due to the estate and to hold and retain all monies thus received to the end that same may be applied under this or future orders of this court; to pay and discharge out of any funds now or hereinafter coming into possession, all necessary current expenses of the debtors in operating their businesses, including all taxes and similar charges lawfully incurred in the operation of said businesses and the preservation and maintenance of the property since the filing of this petition.

XIII.

The present books and accounts of petitioners should be closed as of the close of the business on the date of the entry of an order authorizing the operation of the businesses and the

IX.

Due to the complex nature of the business conducted by petitioners and the present condition of the business affairs of petitioners, they are unable at this time to file a statement of the executory contracts and the schedules and statements of affairs, and accordingly request an extension of ten (10) days from date, pursuant to Section 324 (1) of the Bankruptcy Act, to file such statements and schedules.

X.

Petitioners' present financial difficulties are due primarily to the necessity of U. S. Oil of Louisiana, Inc. and its wholly owned subsidiary, Lake Washington, Inc., having to apply to the U. S. District Court for the Eastern District of Louisiana, New Orleans Division, for relief under Chapter X of the Bankruptcy Act.

XI.

The feasibility of the arrangement to be proposed by your petitioners is dependent upon the continued operation of its business and the management of its properties.

XII.

For the efficient operation of the businesses and to avoid deterioration and depreciation in the value of the assets belonging to petitioners, it is essential that petitioners be recognized as debtors-in-possession, and under supervision of this court have full power and authority to employ, discharge, and fix compensation, salaries and wages of employees as they may

A 877

management of the property of petitioners, and new books of account should be opened as of the opening of business of the next succeeding business day, and in which new books should be kept proper accounts of earnings, expenses, receipts, disbursements and all obligations incurred by the debtors in possession and transactions had in the operation of the businesses as the management, preservation, and protection of the property of the within estate, and the debtors-in-possession should preserve proper vouchers for all payments made on account of such disbursements.

XIV.

No notice should be given of this application because the discontinuance of the operation of the businesses until a hearing can be had on this petition will cause immediate, serious and irreparable damage to petitioners, their creditors, and to the good will of the businesses.

XV.

No receiver has been appointed herein and no committee of creditors has been appointed or designated.

XVI.

Petitioners are entitled to and desire that the Court issue (after notice and hearing) pursuant to Chapter XI of the Bankruptcy Act, and in particular, Section 314 of said Act, an injunction, enjoining and staying the Prudential Insurance Company of America, the Bank of Nova Scotia and First City National Bank of Houston (Texas), secured creditors, and all other secured creditors and unsecured creditors, from foreclosing and/or

A 878

enforcing of any claim, whether secured or unsecured, against petitioners, or their property, or proceeding in personam against petitioners, pending the further order of this Court. The foreclosure or enforcement of any such claims and/or suits at this time would impair, if not prevent, the successful arrangements of petitioners' debts, and thus cause petitioners, and their creditors, immediate and irreparable loss, injury and damage.

XVII.

Petitioners are entitled to and desire that the Court issue (without notice of the hearing), pursuant to Chapter XI of the Bankruptcy Act, and in particular Section 314 of said Act, a temporary restraining order (pending hearing on above requested injunction) preventing the Prudential Insurance Company of America, the Bank of Nova Scotia, and the First City National Bank of Houston (Texas), secured creditors, and all other secured creditors and unsecured creditors, from foreclosing and/or enforcing of any claim, whether secured or unsecured, against the petitioners or their property, or proceedings in personam against petitioners, pending the further order of this court. The foreclosure or enforcement of any such claims and/or suits at this time would impair, if not prevent, the successful arrangements of petitioners' debts and thus cause petitioners and their creditors immediate and irreparable loss, injury and damage.

XVIII.

No notice should be given of this application, for a temporary restraining order, because the disruption and/or discontinuance of the operation of petitioners' businesses until

A 879

the hearing can be had on this petition will cause immediate, serious and irreparable damage thereto, and damage to the good will of the businesses, all to the detriment of petitioners' creditors, employees and stockholders. No substantial damage can result to those sought to be restrained pending a hearing.

WHEREFORE, petitioners pray:

(1) That proceedings may be had upon this petition in accordance with the provisions of Chapter XI of the Bankruptcy Act;

(2) That petitioners be permitted to file this petition under Chapter XI, unaccompanied by statement of executory contracts, schedules and statement of affairs required by Section 324 (1) of the Bankruptcy Act, and that the time of filing said statements and schedules be extended for ten (10) days;

(3) That, as debtors-in-possession, petitioners be authorized to operate the businesses and manage the property for an indefinite period as set forth in Paragraph XIII above;

(4) That the Court issue (with notice and hearing) an injunction as set forth in Paragraph XVI above;

(5) That the Court issue (without notice or hearing) a temporary restraining order as set forth in Paragraph XVII above.

Respectfully submitted,

JOHN W. MECOM, SR.

MARY ELIZABETH MECOM

A880

A 880

GRANVIL I. SPECKS
Friedman, Kovan, Shapiro,
Salzman, Koenigsberg, Specks
& Homer
Attorneys at Law
208 South LaSalle Street
Chicago, Illinois 60604

HARRY B. KELLEHER
Lemle, Kelleher, Kohlmeyer,
Matthews & Schumacher
800 National Bank of Commerce Bldg.
New Orleans, Louisiana 70112

CAMP, CARMOUCHE, PALMER,
CARWILE & BARSH
416 Pioneer Building
Lake Charles, Louisiana 70601

BY: Edward M. Carmouche
EDWARD M. CARMOUCHE

ATTORNEYS FOR PETITIONERS

A881

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STATE OF LOUISIANA :

PARISH OF CALCASIEU :

BEFORE ME, the undersigned authority, personally came and appeared JOHN W. MECOM, SR. and MARY ELIZABETH MECOM, who, after being duly sworn, did depose and say:

That they are the petitioners in the foregoing petition and that the statements contained in said petition are true, according to the best of their knowledge, information and belief.

JOHN W. MECOM, SR.

MARY ELIZABETH MECOM

SWORN TO AND SUBSCRIBED before me at Lake Charles, Louisiana, on this 3rd day of December, 1970.

NOTARY PUBLIC

A882

A 882

LIST OF CREDITORS OF

JOHN W. & MARY ELIZABETH MECOM

AS OF AUGUST 31, 1970

Schedule "A"

A883

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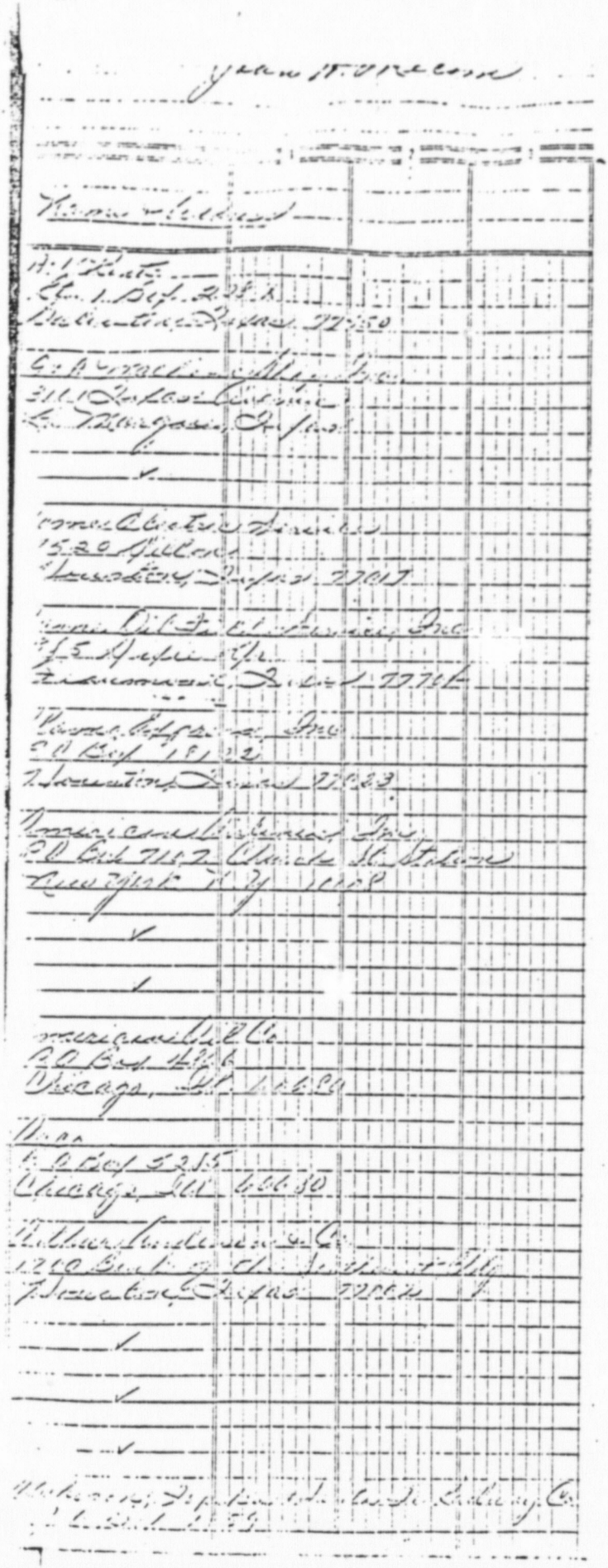

A884

A 884

Name / Address
Illinois Cylinder Co. P.O. Box 523 Chicago, Ill. 60690
Industrial Supply Co. P.O. Box 511 Mount Pulaski, Ill. 62549
Ingersoll-Rand Co. P.O. Box 204 Painted Post, New York 14870
Ingersoll-Rand Co. 1900 Woodlake Dr. Houston, Texas 77032
Ingersoll-Rand Co. 161 W. Frye Rd. Portland, Maine 04101
Ingersoll-Rand Co. P.O. Box 597 Jacksonville, Florida 32201
Intelcom P.O. Box 1861 Houston, Texas 77001
Jackson Hydraulic Div. Bishop 3625 Alpine St. Louisville, Kentucky 40209
Jarrell-Ash Div. of Fisher 2600 Wellington St. Houston, Texas 77550
Johnson Gear & Machine Corp. 39 Maple St. at the Canal Roseland, N.J.
Joseph Oat Corp. 2324 Commerce St. Houston, Texas 77003

A885

A 885

Name + Title		
Exp Pipeline Co. of Texas P.O. Box 3067 Houston, Texas 77253		
✓		
✓		
✓		
✓		
✓		
✓		
✓		
Exp Pipeline Co. Inc. P.O. Box 3067 Houston, Texas 77253		
✓		
✓		
Exxon Pipeline Company 1431 Fifth Ave. Houston, Texas 77017		
Fidelity Exploration 512 N. Broadway Ave. Oklahoma City, Okla. 73102		
✓		
✓		
✓		
Gardner Drilling Co. P.O. Box 287 Bellaire, Texas 77401		

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Name & Address		
Gordon Inc P.O. Box Number Houston, Texas 77006		
Dot Hubbell, Ltd P.O. Box 47 Brooklyn, Michigan 49225		
✓		
✓		
Lucy Case Harris 500 Jefferson, Suite Houston, Texas 77002		
✓		
✓		
Budget Rent-A-Car of Texas P.O. Box 1338 Ville Platte, LA 70586		
Dr. R.A. Sweezy, M.D. 1500 Central Arkansas Hot Springs National, 71901		
✓		
✓		
Cincinnati Insurance Co. 1135 Perkins Rd. Houston, Texas 77006		
Thomas A. Clark Co. P.O. Box 6731 Houston, Texas 77005		
Office Manager, Pacific Bank 1522 West Grand Amarillo, Texas		
Chemical Bank Drive-In P.O. Box 1 [illegible]		

A887

A 887

Name & Address
Hamilton Lab Instruments Inc. P.O.B. 4115 Lexington, Kentucky 40504
Instrument Sales Inc P.O.B. 542 51 Los Angeles, Calif. 90054
✓
U.S. Rubber Stamp P.O. Box 2301 Houston, Texas 77001
Victor, D.C. 56 Cent 12 Ct. N.W. Washington, D.C. 20004
✓
✓
✓
✓
✓
✓
✓
✓
A. B. Crawford Rug Co. 128 Exhibition Avenue Hot Springs, Arkansas 71901
✓
✓
Quinnon Plant Farm Rt. 1 Box 1236 Kenner, Louisiana 70062
✓
Marshall Fire Extinguisher Supply Co. P.O. Box 156 Houston, Texas 77001

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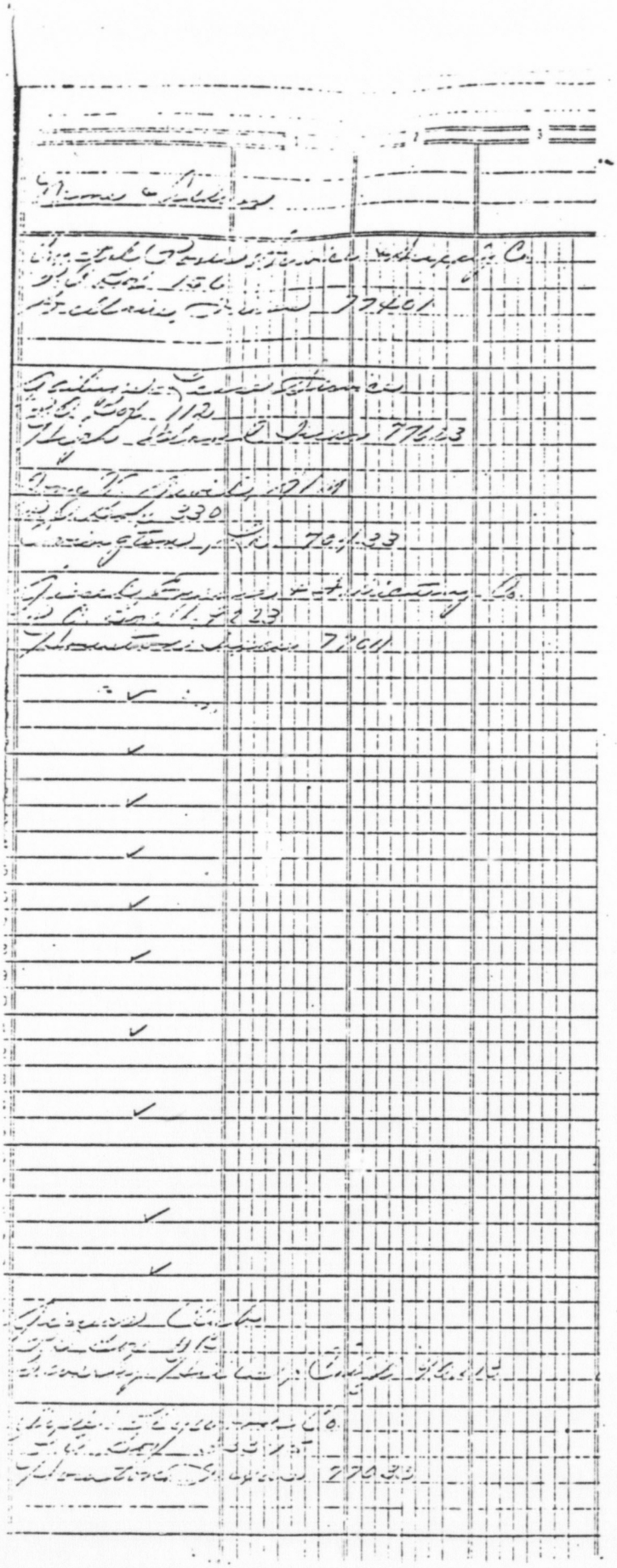
A 888



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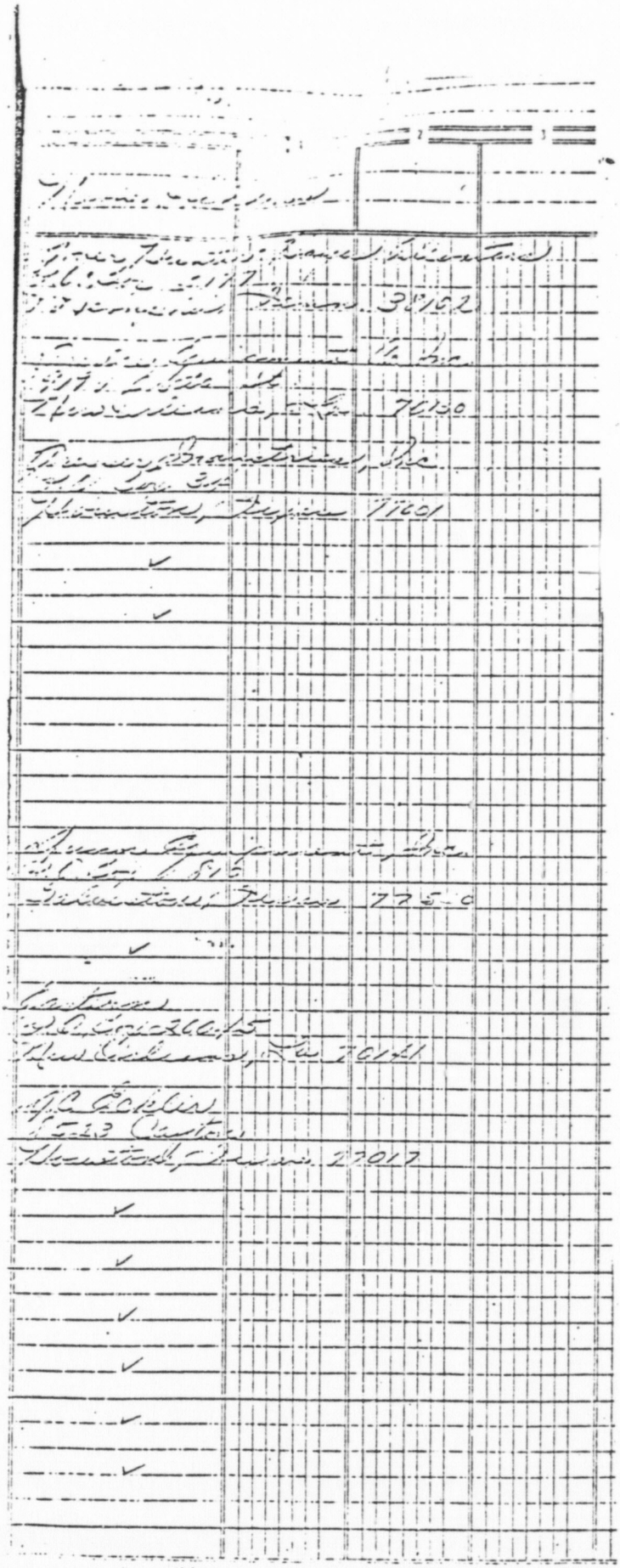

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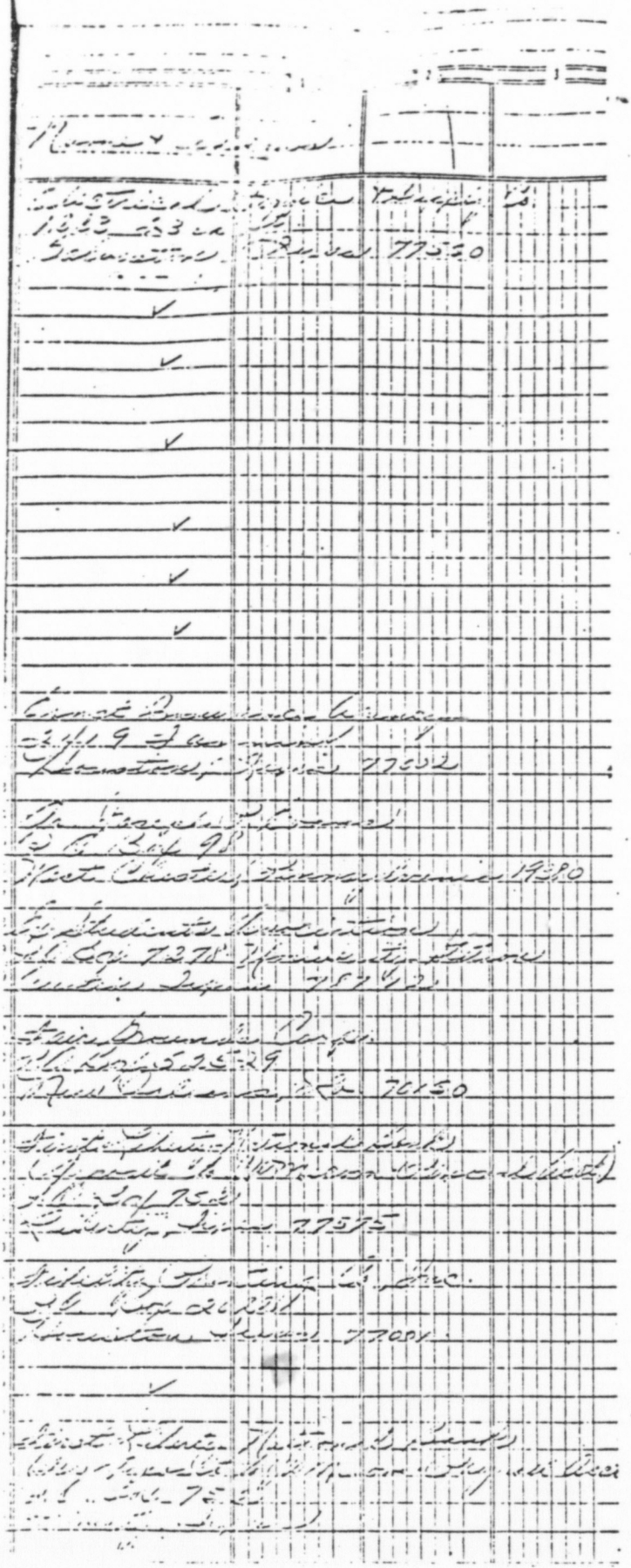

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Name & Address

Fed Reserve Victoria Branch
P O Box 301
Victoria, Texas 77901

First Nat'l Bk & Trust Co
P O Box 2145
Victoria, Texas 77901

Public Trust
Route 1
Hillsboro, Kentucky 40344

Public Trust
% C Austin Texas
516 Capital Victoria Bank Bldg
Houston, Texas 77002

✓

✓

✓

Power Petroleum Mgmt
2718 Fair Oaks
Houston Texas 77006

Galveston County Abstract Co
628 Tremont St.
Galveston, Tex 77550

✓

Federal Sec Life Insurance Co Inc.
P O Box 1636
Houston, Texas 77023

✓

Surety Life Ins Co
1300 Vermont Ave
Washington, D.C. 20005

Sec Title Company
1217 Texas Ave
Houston Tex 77001

✓

Gulf Southern Title Insurance Co
P O Box 1772
Houston, Texas 77001

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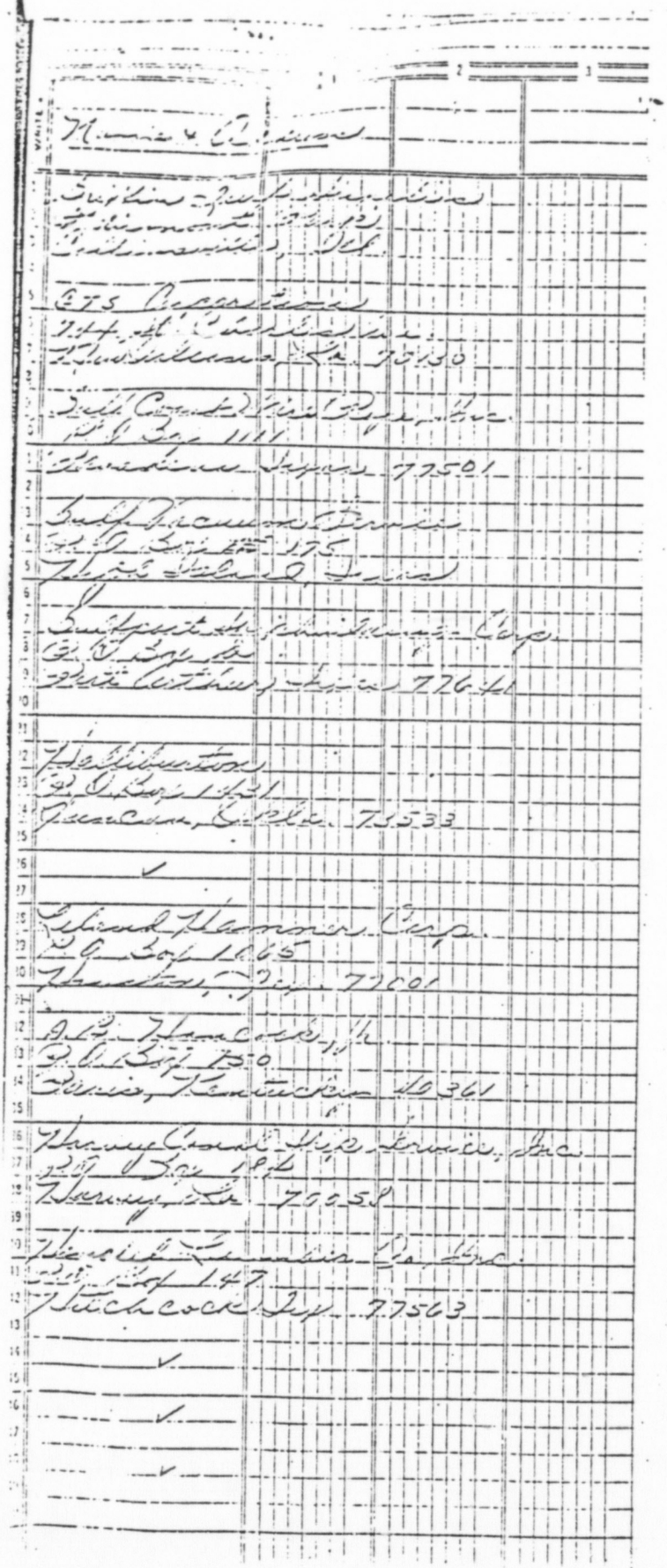

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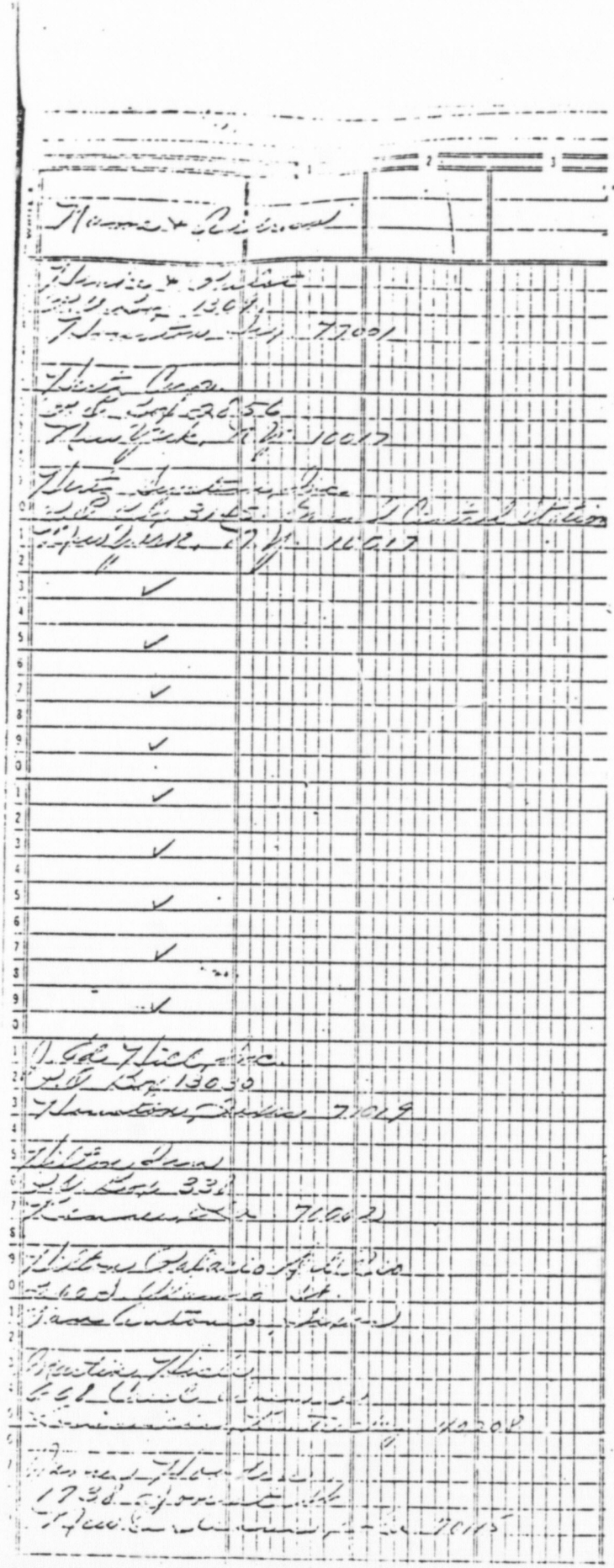

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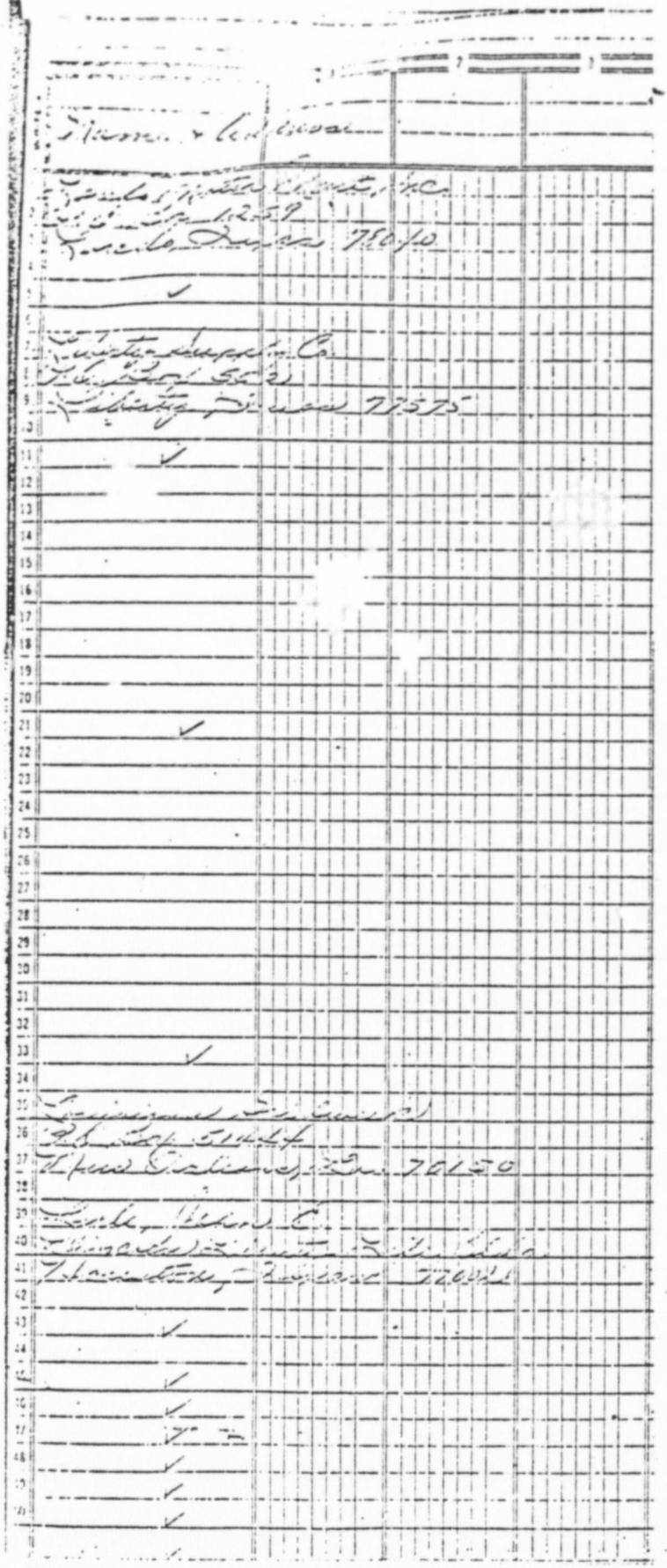

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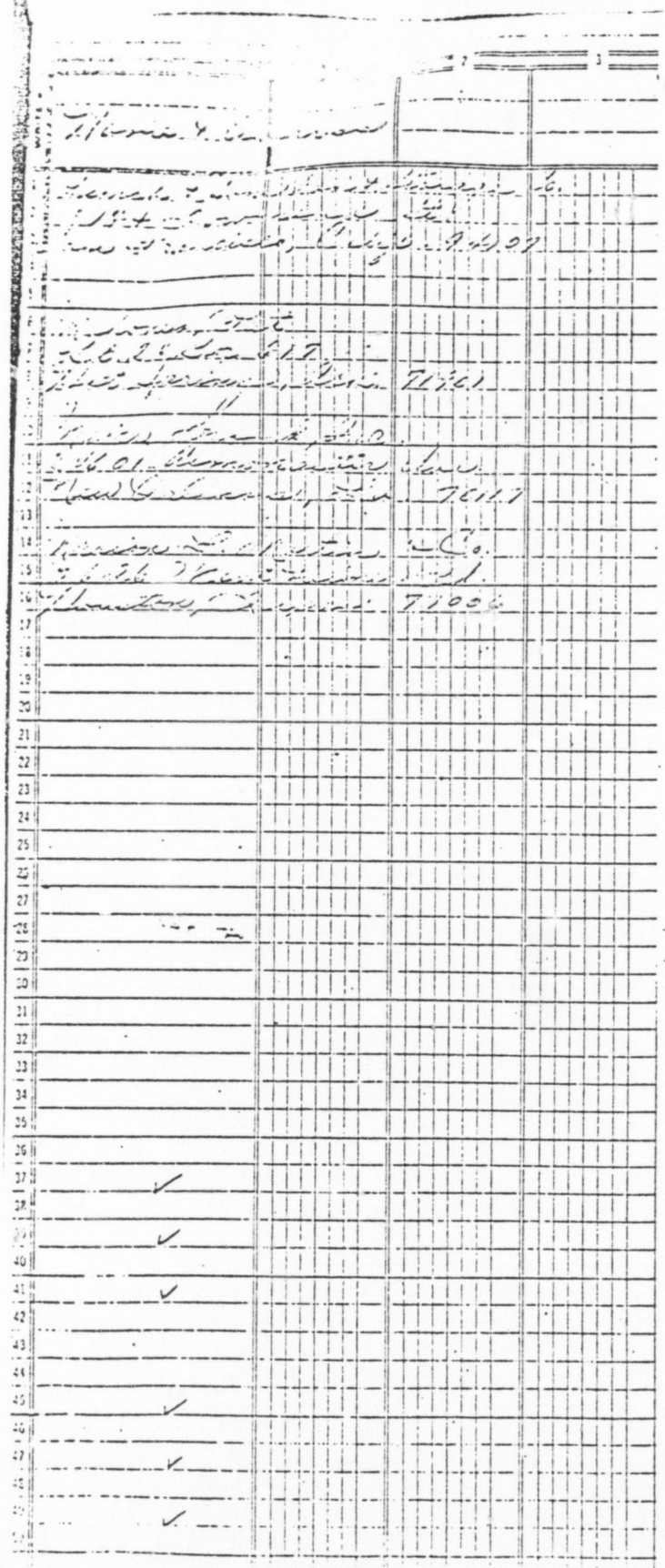

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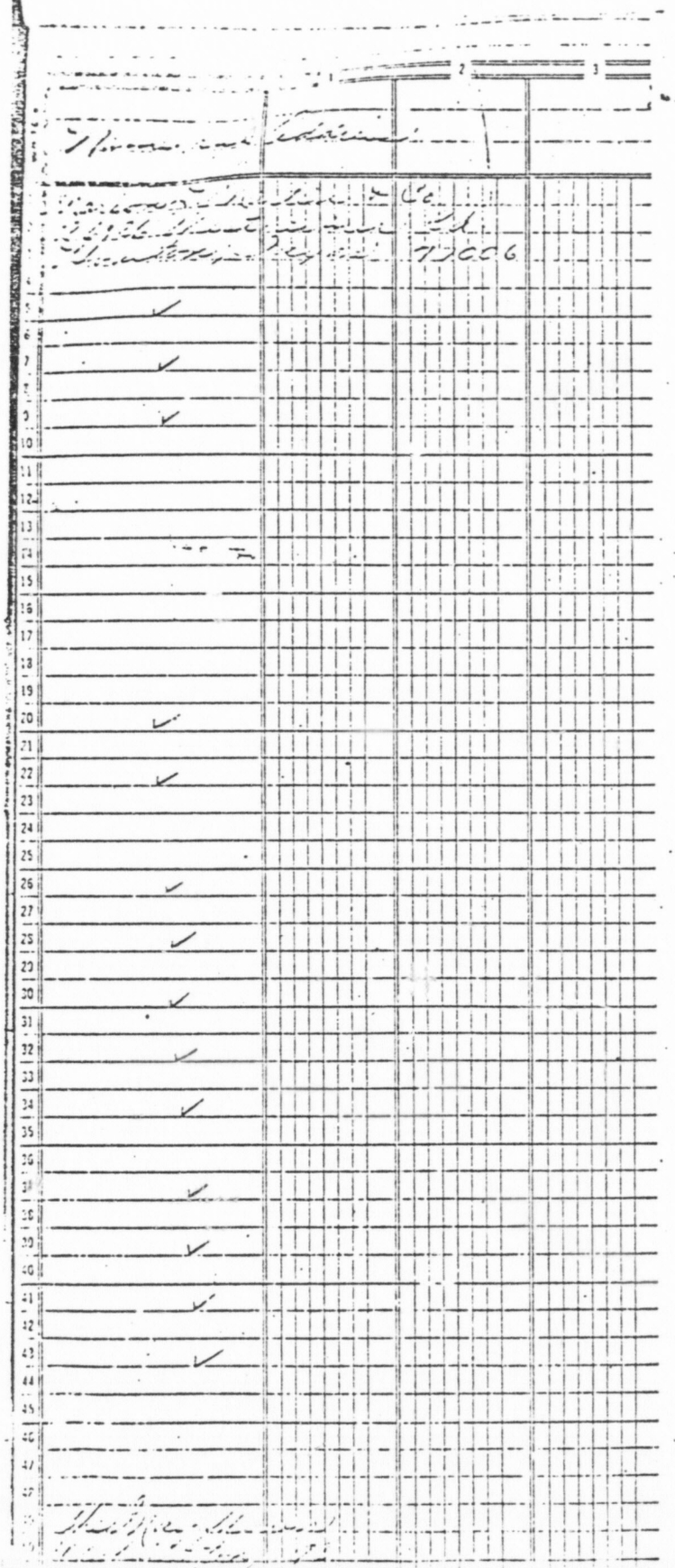

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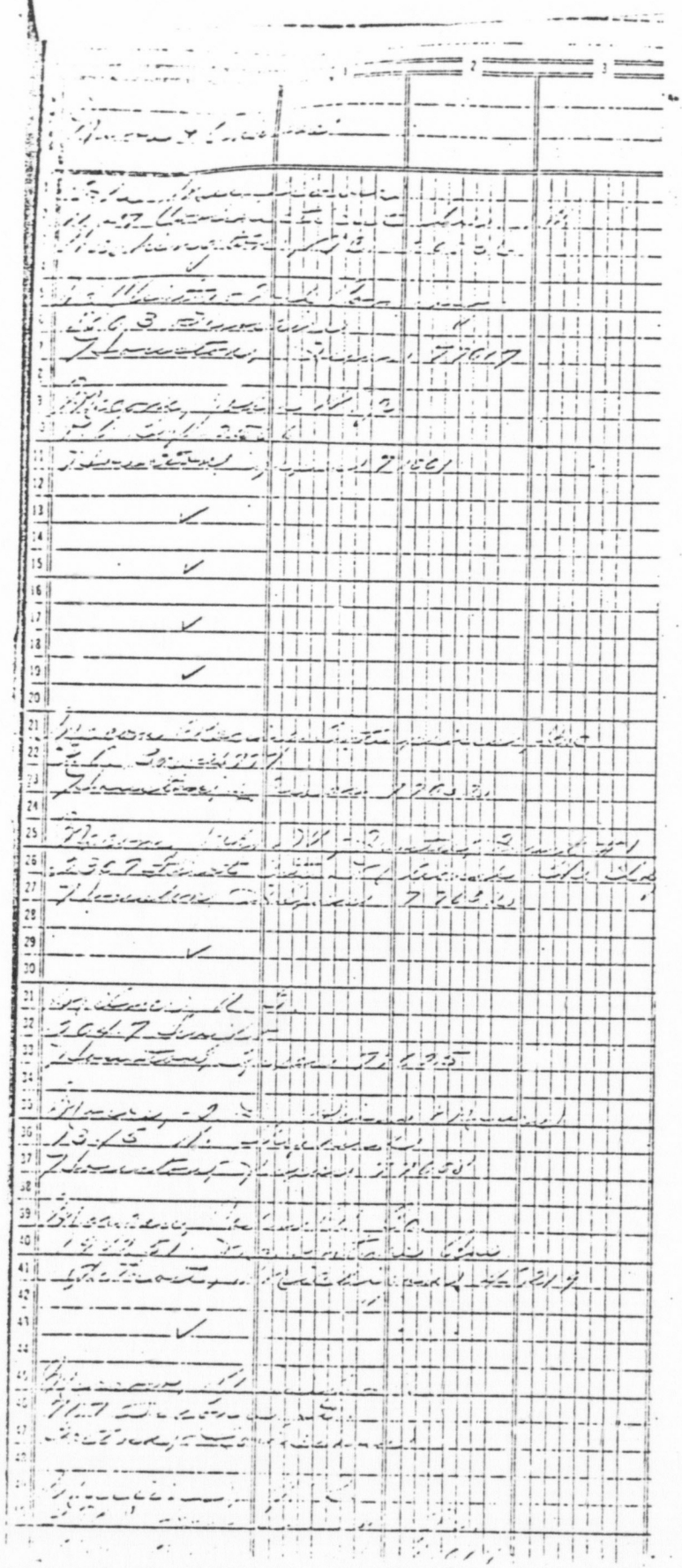

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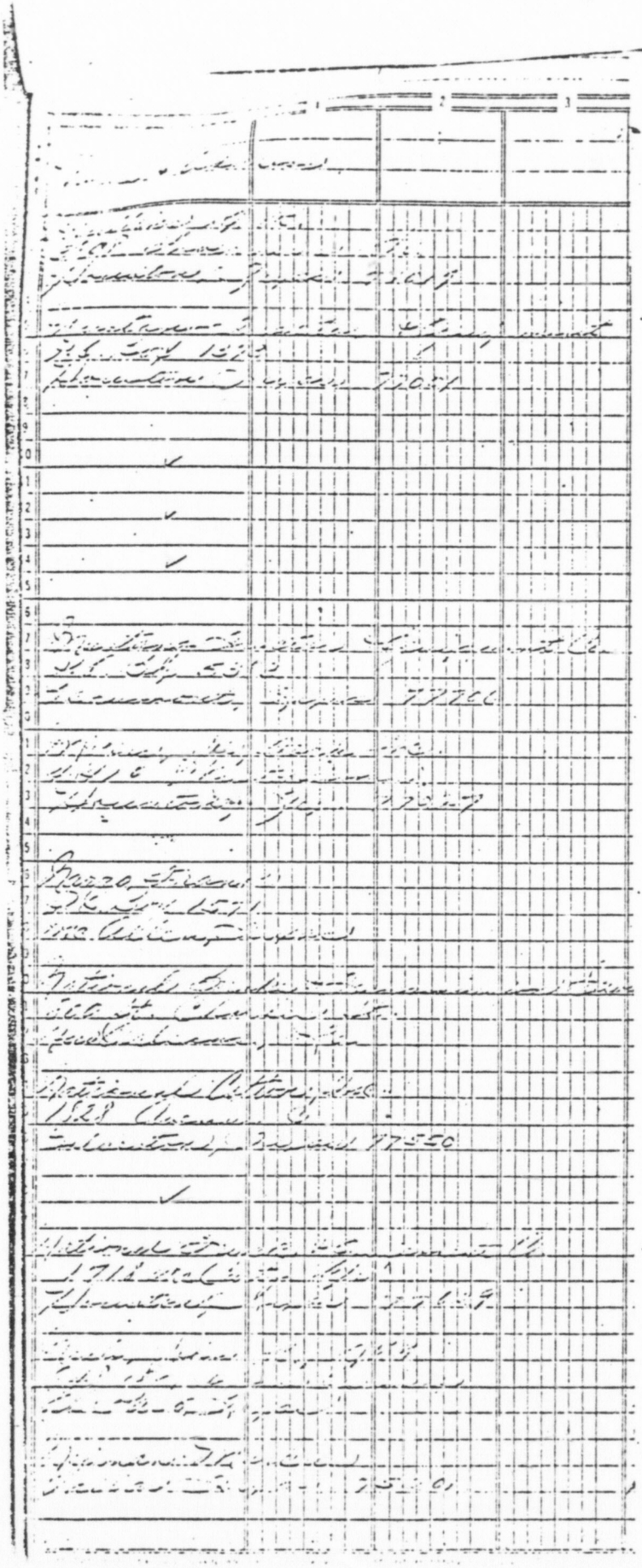

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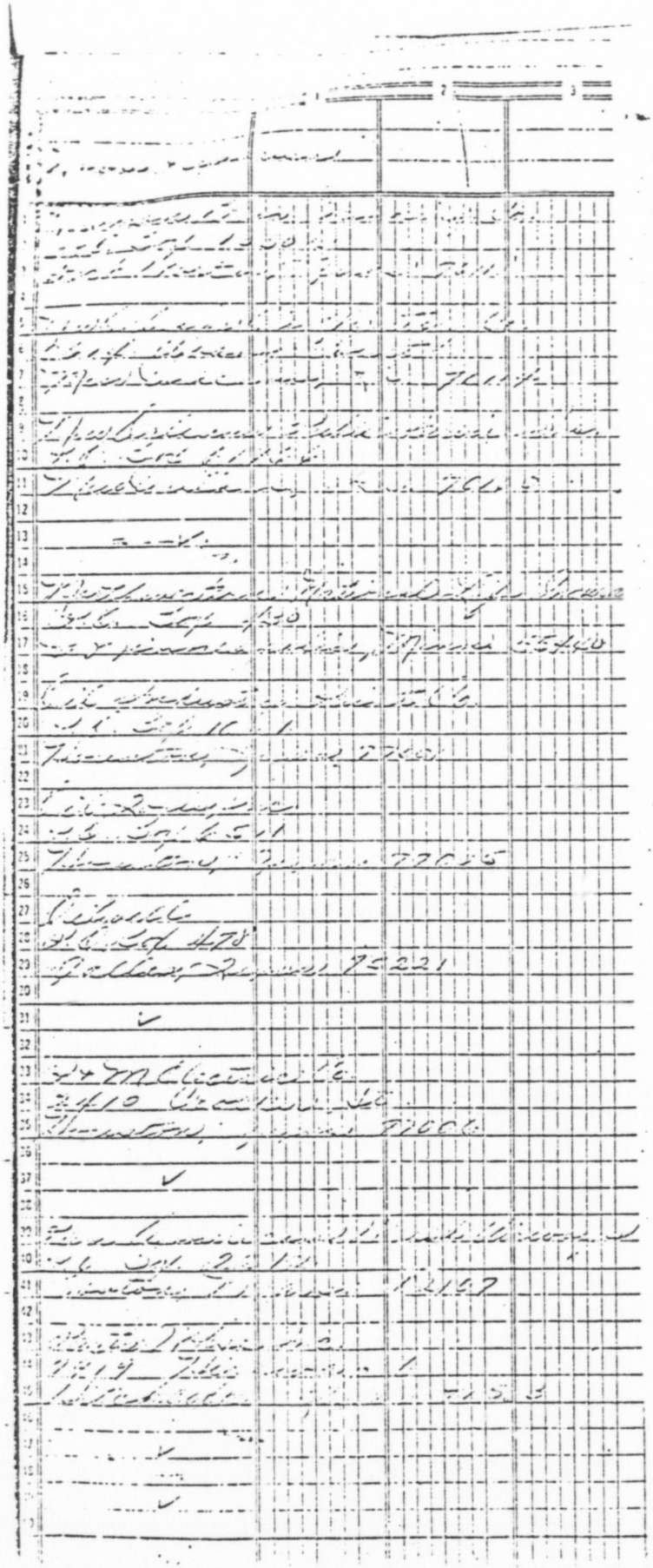

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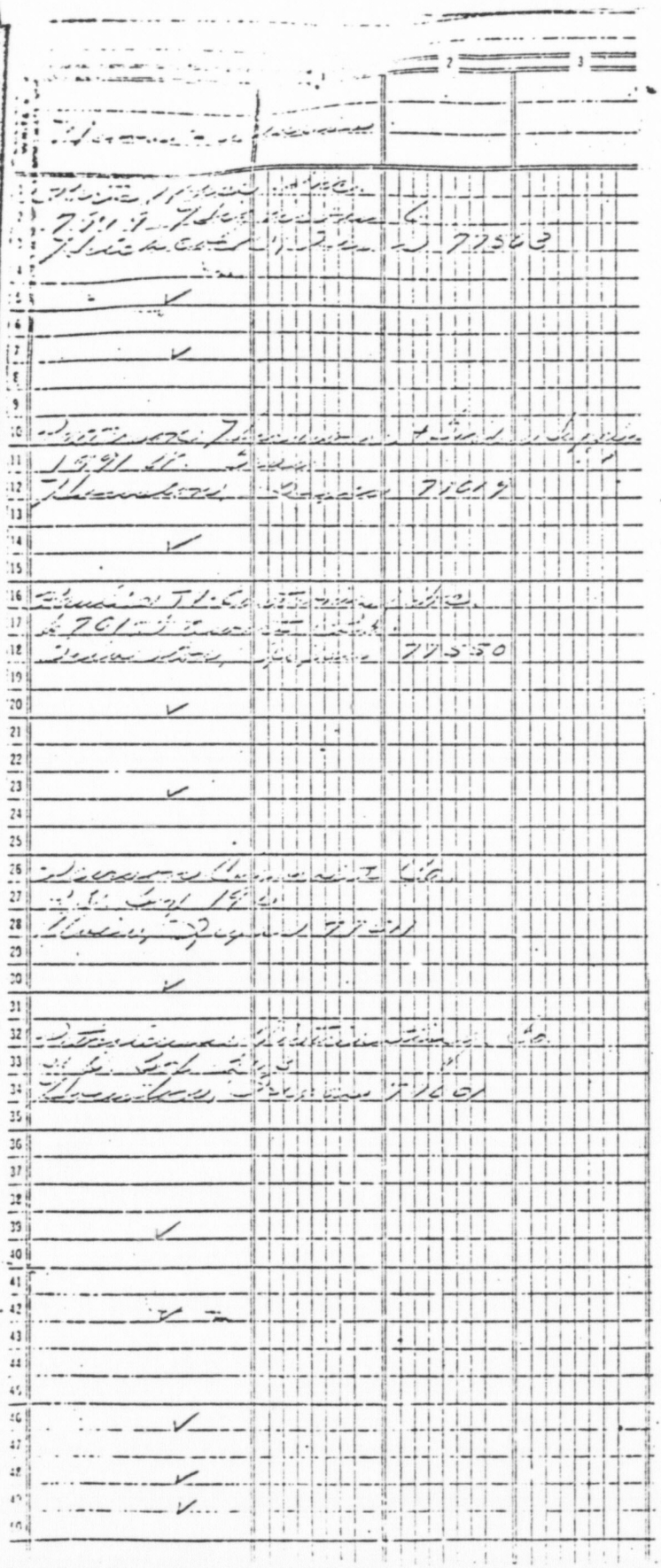

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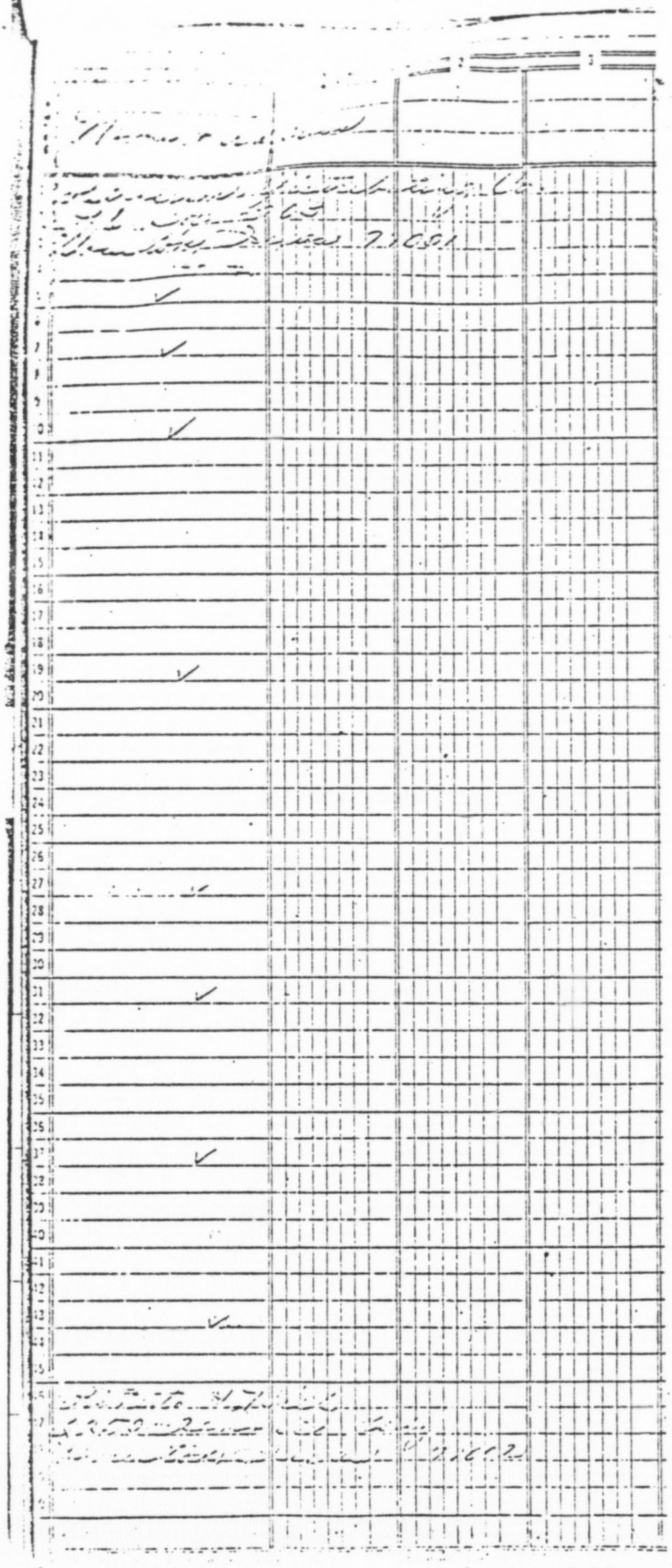

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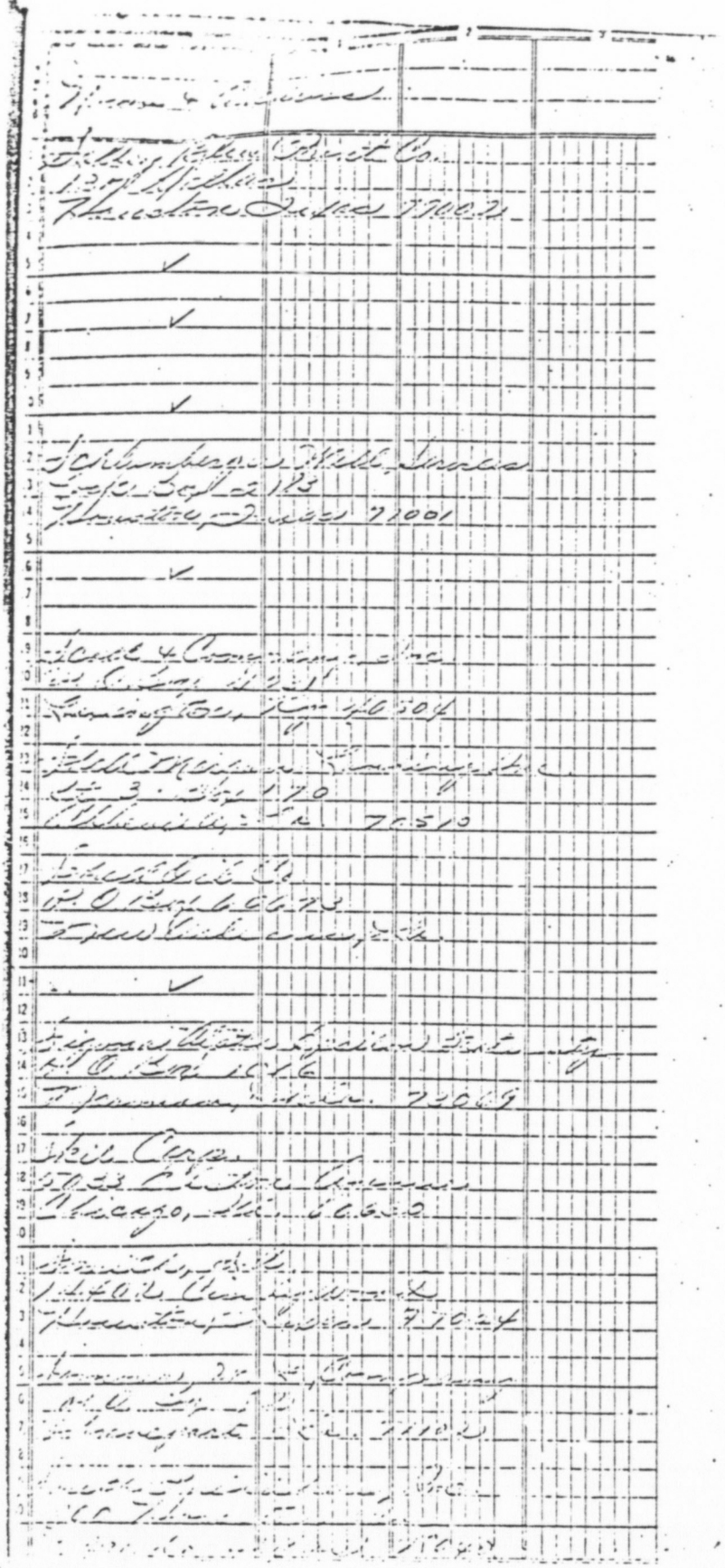

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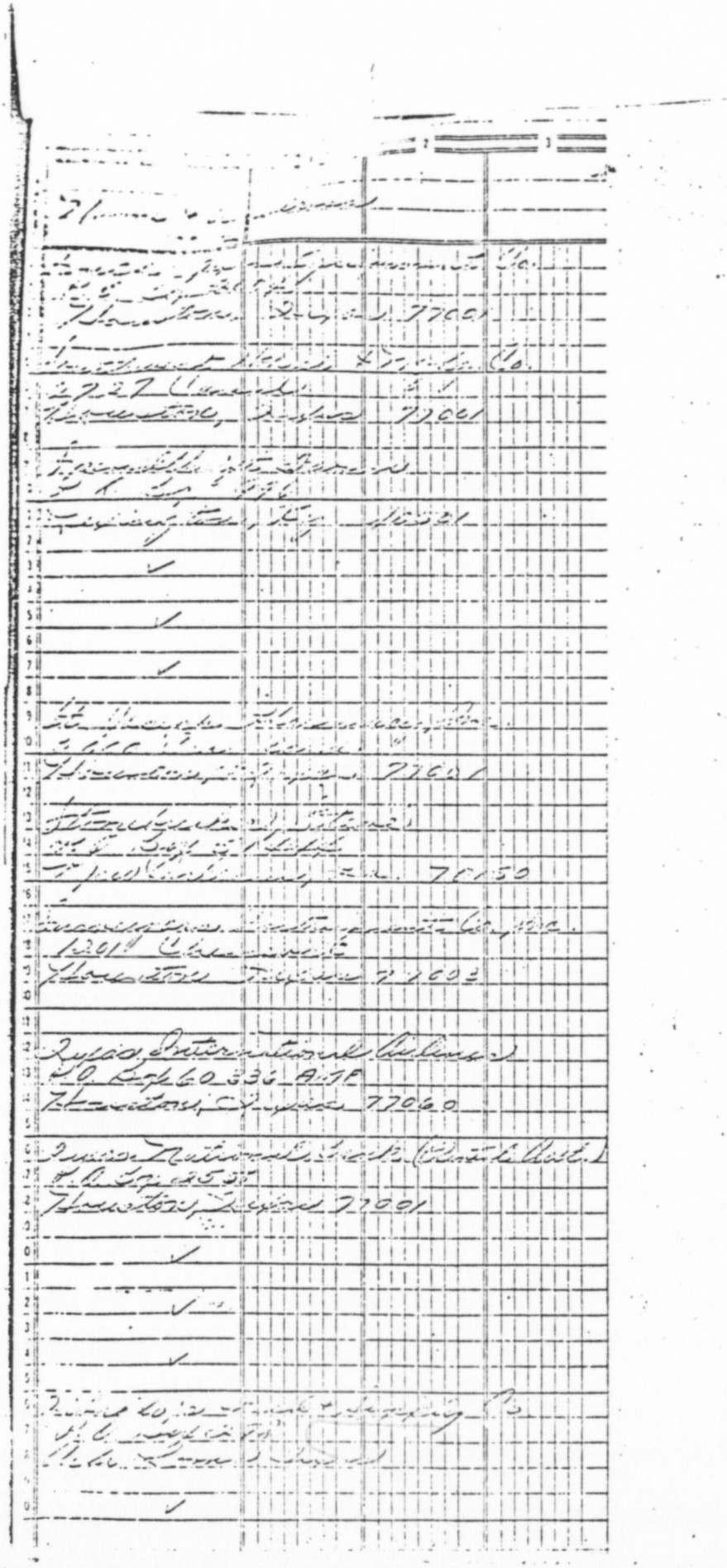

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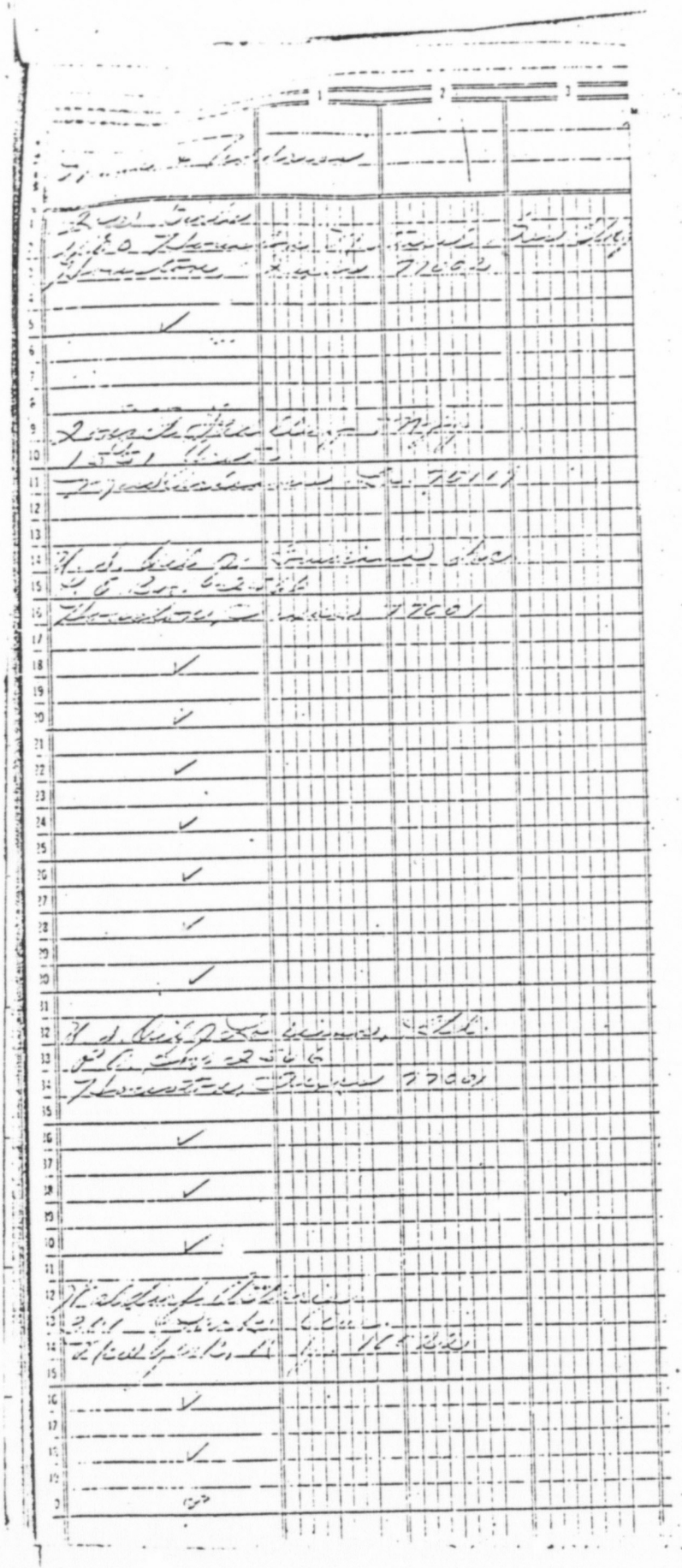

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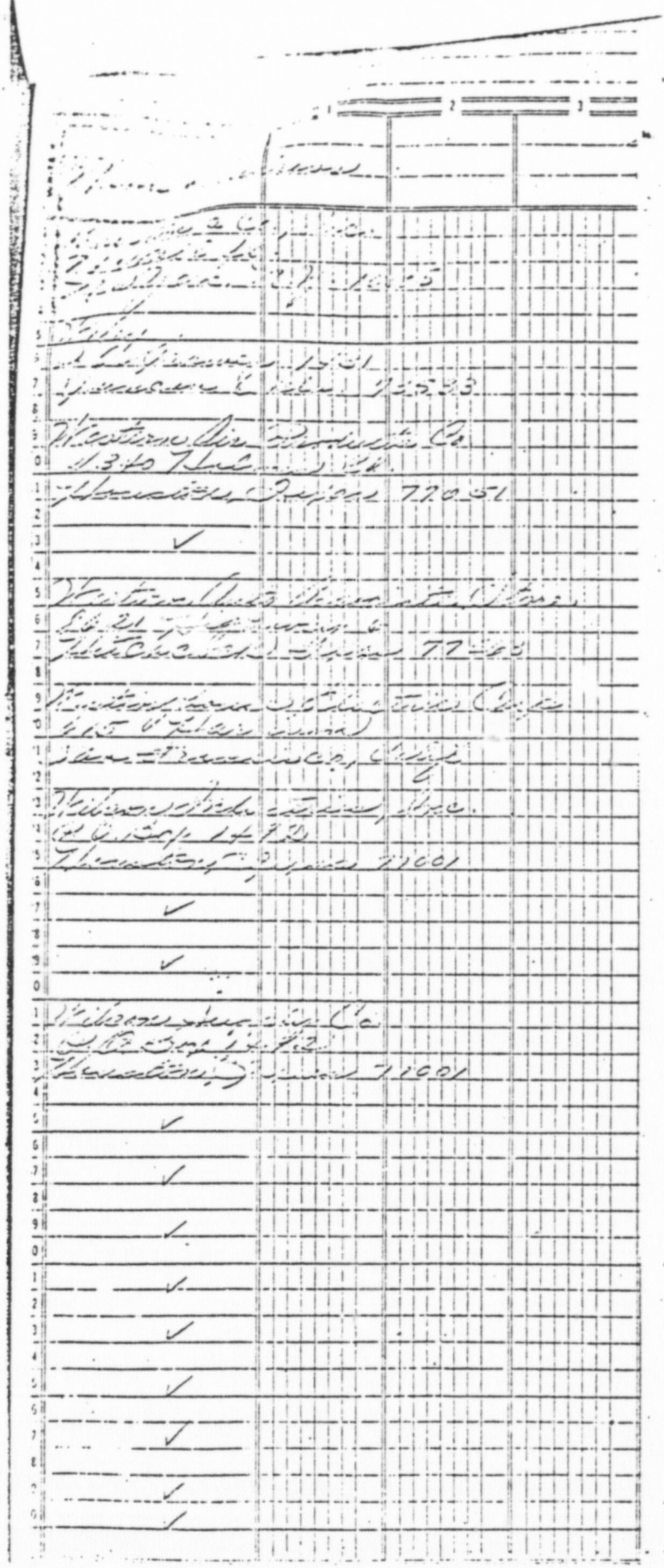

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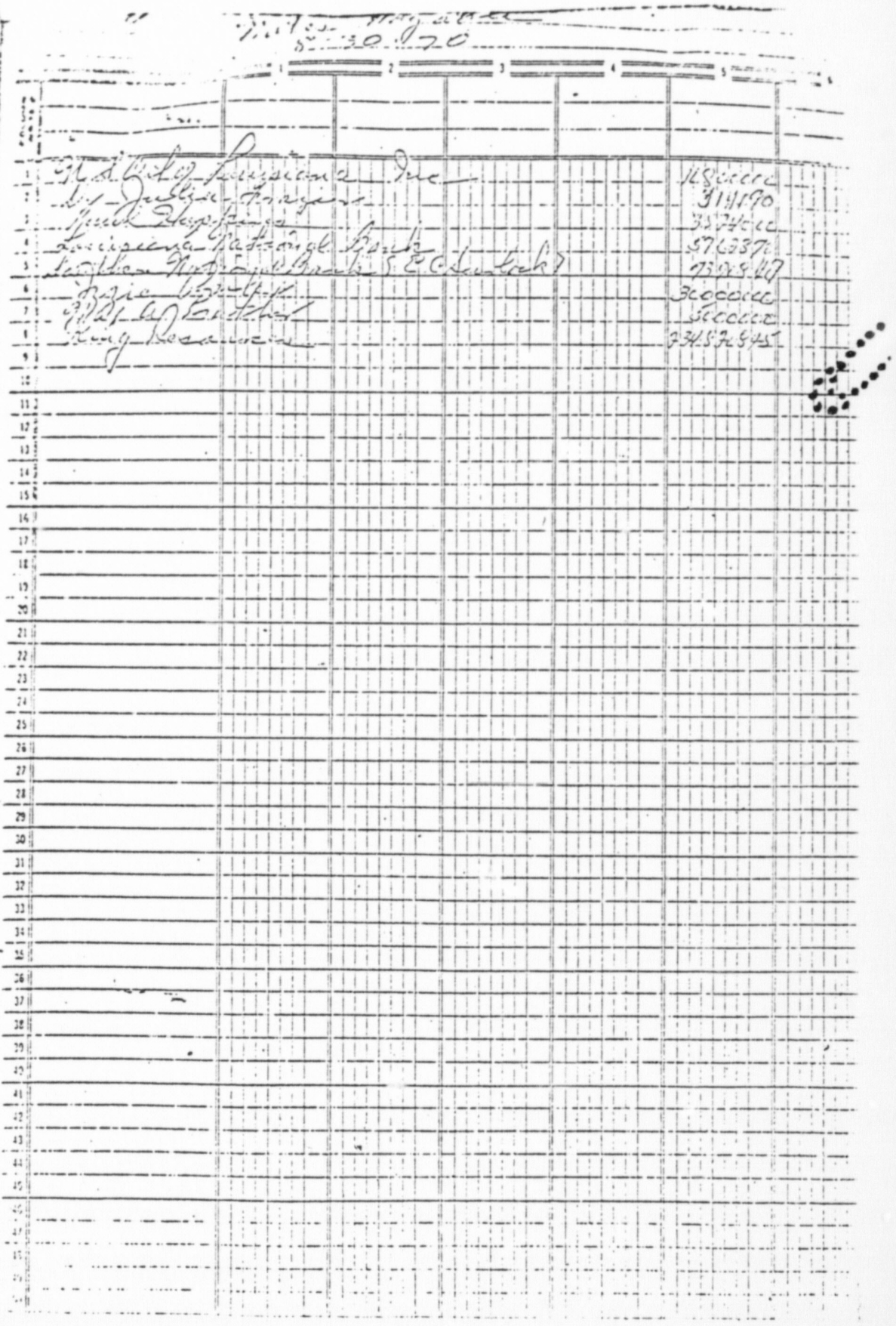

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James H & Mary Elizabeth Pearson
As of 8-31-70

Assets		Amount
Inventories		
Oil & Gas Marketable supplies		26 2355
Misc. Receivable		
Gifts or Services		1102
Equipment		20000
Office Equipment		50000
F.A.-Office		7757
F.A.-Autos		133
F.C. Mullinax Lease III		20000
		371536
Securities		
Bankers Corp	300 shares	25788
Capital National Bank	38 1/2 —	5856
Republic National Bank	10 —	2100
Pennzoil United	3200 —	32835
Capital de Petroleos Dominic		16000
Satellite Corp	25,000.? —	5000
		98598
Combined Corporate Subsidiaries		
Atlas Oil & Gas Louisiana Inc	Capital	955641
The Oil Gas Co	—	92113
The Atlas Co Inc	—	10000
Exploration Inc	—	140000
	Advances	30587
Houston International Petrol	Capital	600000
	Advances	83433
Isla Del Fuerte	Capital	1661359
	Advances	625099
Gulf Western Development Co	Capital	80000
Paluxy Engineering	—	27000
	Advances	177032
	Notes Receivable	94234
	Accrued Interest	53897
	Capital Stock	2000000
Valle Vista		
Bayou Drilling Corp		125491
		23888714
Other Corporate Investments		
Clark Boots Co.		10000
— — — misc		50000
	Accounts & Notes	
Union Chemical Co	Capital Stock	14577
Eastern		1461500
Gulf Engine Corporation	1500 shares	100000
Heavy Industries		125000
		670000
	Trade	50000
	Interest	15
Bayou Glove Brand Products	100 shares	13796
Specialties Inc		10000
Gulf Atlantic Investments		975

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							Amount
C.A.D. Spa							2750
Lafon Services Co							80650
Tri Ameman Parish Hospital							80000
							166431761
Petroleum Joint Ventures							
State of Louisiana Ltd		Capital					3018547655
		Gen Partnership					(1)05439910
New Orleans Assistance		Capital					38577100
		Advances					6537
Motor Vessels Investment Ltd		Capital					15831200
Leases + Rentals Minor							3430114
							3046779077
Oil & Gas Properties							
Map Producing Leases							2632074816 X
Processing Leases							1993745
Producing Royalties							13152363
Lease Equipment							2188091
Well Equipment							8157932
General Field Equipment							657741
							2893201911
Drilling + other Service Equipment							
Drilling Equipment							1000718721
Marine Equipment							26704085
Airplanes							8314774
Light and Base Equipment							5914552
Automobiles + Trucks							5140521
							1924108355
Real Estate							
Megan Homesites							37580271
Real Properties Real Est (Undeveloped)							1150000
							38730271
Livestock - Breeding							
Cattle							9455620
Land Leases							2022534
Agricultural Crops							1430659
Furniture + Fixtures							1397200
							14301381
Foreign Assets							
Drilling Equipment							1674078621
Marine Equipment							1120000
Other Transportation Equipment							46155200

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Advances-Grades	252417 77
Furniture & Fixtures	8842180
Investments	1155968 9
Natural Equipment	41899 12
	2230012 44
Less Depreciation	401011792 5
Other Receivables	
Due from Natural Gas Pipeline Co	15899200 79
Due from Miscellaneous Subsidiaries	10227 10000
Due from Employees	3042994
Due from Retiring Employees	1357737 50
	27335731 3
Other Assets	2062436 87
Less doubtful accounts	152339 957
Deferred Charges	
Unamortized Debt Discount & Expense	3761430 0
Prepaid Taxes	1805850 0
Prepaid Insurance	8000000 0
Prepaid Interest	7000000 0
	2595 77287
	84799 00195
Liabilities & Capital	
Accounts Payable	752720 0
Notes Payable	3936 12772
Contingent Liability of Removed Officers	3000000 0
	7688 34772

UNITED STATES DISTRICT COURT
Western District of Louisiana
This is to certify that the above and foregoing contained on this and preceding 42 page is a true and correct copy of the original.
Dec 4, 1970
ALTON L. OCHSIS, CLERK
BY: Deputy Clerk

A915

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GENERAL SERVICES ADMINISTRATION
National Archives and Records Service

To [illegible]whom these presents shall come, Greeting:

[illegible]rue of the authority vested in me by the Administrator of General Services, I [illegible]his behalf, under the seal of the United States General Services Administration, [illegible]ched reproduction(s) is a true and correct copy of documents in his custody.

SIGNATURE: Donald W. Tripp
NAME: DONALD W. TRIPP 5-17-76
TITLE: DIRECTOR
NAME AND ADDRESS OF DEPOSITORY: FEDERAL ARCHIVES AND RECORDS CENTER P. O. BOX 6216 FORT WORTH, TEXAS 76115

GSA FORM 6791E

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CAMP, CARMOUCHE, PALMER, CARWILE & BARSH
ATTORNEYS AT LAW
4TH FLOOR PIONEER BUILDING

POST OFFICE DRAWER 2001
TEL. 433-0588

JOHN C. CAMP
EDWARD M. CARMOUCHE
PAUL E. PALMER
CHARLES W. CARWILE
HARRY E. BARSH, JR.
VIRGINIA MARTIN CARMOUCHE
CHARLES ROMANO
JULES E. GUGLIELMO, JR.
MAURICE L. TYNES
JOHN A. JEANSONNE, JR.
EDWIN K. HUNTER

LAKE CHARLES, LOUISIANA
70601

December 12, 1970

The Honorable LeRoy Smallenberger
Referee in Bankruptcy
P. O. Box 28
Shreveport, Louisiana 71103

Re: MECOM, JOHN W., SR.
No. 24214
Western District of Louisiana

Dear Judge:

We enclose a copy of a list of the unsecured creditors of John W. Mecom, Sr. We believe the list complete.

Thank you for your patience.

Sincerely,

EDWIN K. HUNTER

EKH/jg
Encl.

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JOHN W. MECOM

ACCOUNTS PAYABLE

11/27/70

A-1 Rents
Route 1, Box 228-X
Galveston, Texas 77550

A & A Machine Shop, Inc.
3101 Texas Avenue
LaMarque, Texas

Acme Electric Service
7520 Dillon
Houston, Texas 77017

Acme Truck Line, Inc.
P. O. Box 183
Harvey, La. 70058

Alamo Express, Inc.
P. O. Box 18122
Houston, Texas 77023

Arthur Anderson & Co.
1700 Bank of The Southwest Bldg.
Houston, Texas

American Airlines
P. O. Box 7107 Church St. Station
New York, N. Y. 10008

American Petrofina
P. O. Box 2159
Dallas, Texas 75221

Atchison, Topeka & Santa Fe R. R.
P. O. Box 1859
Amarillo, Texas 79105

Atlantic Richfield Company
P. O. Box 5285
Chicago, Illinois 60680

Automatic L. P. Gas, Inc.
P. O. Box 511
Alvin, Texas 77511

Avis Rent A Car System
P. O. Box 5117
Dallas, Texas 75222

B & J Spring Co., Inc.
1615 Bell at Jackson
Houston, Texas 77003

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B & B Factors, Inc.
1800 Austin Street
Houston, Texas 77002

B & W, Incorporated
P. O. Box 5266
Houston, Texas 77012

Baltimore Hilton
101 West Fayette Street
Baltimore, Maryland 21201

Dr. Wm. S. Bartlett
P. O. Box 597
Dunedin, Florida 33528

Battelsteins
P. O. Box 1861
Houston, Texas 77001

Beaird Line Service, Inc.
1701 Gray
Houston, Texas 77003

Becker and Dunkie Turf Goods
3035 South 4th Street
Louisville, Kentucky 40208

Bedford, Lambdin & Hopkins
601 Moody National Bank Bldg.
Galveston, Texas 77550

Benjy's Florist
2534 Amherst
Houston, Texas 77005

Fred C. Benton
P. O. Box 394
Harvey, La.

Big Chief Truck Lines, Inc.
P. O. Box 284
Harvey, La. 77058

Big Three Industrial Gas & Equipment Co.
P. O. Box 3047
Houston, Texas 77001

Blaine & Co. Insurance
1001 Cotton Exchange Bldg.
Houston, Texas 77002

Blakeip Log Service
822½ Gravis Street
New Orleans, La. 70100

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Bland-Willis Cadillac Co.
P. O. Box 2147
Houston, Texas 77001

The Blood Horse
P. O. Box 4038
Lexington, Kentucky 40504

Bonna's Bait Camp
Rt. 1, Box 289
Galveston, Texas 77550

Books, Inc.
2620 Westheimer
Houston, Texas 77006

Branch-Krachy Co., Inc.
P. O. Box 1724
Houston, Texas 77001

Bruce Advertising
500 Jefferson Building
Houston, Texas 77002

Bruce Terminix Co.
P. O. Box 66668
Houston, Texas 77006

Slim Holt Budget Rent A Car
P. O. Box 1938
Hilo, Hawaii 96720

Dr. R. A. Burnham, DVM
4800 Central Avenue
Hot Springs, Arkansas 71901

Wayne Broyles Engineering Corp.
P. O. Box 2752
Houston, Texas 77001

Sam Broussard Trucking Co., Inc.
P. O. Box 35
New Iberia, La.

Caplin & Drysdale
1101 Seventeenth St., N. W.
Washington, D. C. 20036

C-Services, Inc.
P. O. Box 1500
Houston, Texas 77001

The James A. Clark Co.
P. O. Box 6751
Houston, Texas 77005

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Cliffs Marine Supply
45[illegible] NASA Road #1
Seabrook, Texas

Cloverleaf Farm House, Inc.
P. O. Box 337
Kenner, La. 70062

Coastal Machine Works
1924 Mechanic
Galveston, Texas 77550

Combined Underwriters, Inc.
P. O. Box 4115
Lexington, Kentucky 40504

Continental Airlines, Inc.
P. O. Box 54251
Los Angeles, Calif. 90054

Cook Paint & Varnish
P. O. Box 3088
Houston, Texas 77001

Cotemp, Inc.
501 East 12th Street
Houston, Texas 77008

A. G. Crawford Drug Co.
108 Ouachita Avenue
Hot Springs, Ark. 71901

Crimson Heat Farm
Rt. 1, Box 1236
Kenner, La. 70062

Dr. Cecil W. Clark
Cameron Medical Center
Cameron, La. 70631

Diesel Engine & Fabricating Co., Inc.
P. O. Box 9223
Houston, Texas 77011

Dailey Lease Service
P. O. Box 112
High Island, Texas 77623

Tom M. Daniel, D.V.M.
P. O. Box 330
Covington, La. 70433

Dixie Plywood Co.
P. O. Box 33315
Houston, Texas 77033

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Dredge Equipment Co., Inc.
919 Erato St.
New Orleans, La. 70130

Dresser Industries, Inc.
P. O. Box 34
Houston, Texas 77001

Dresser Industries, Inc.
P. O. Box 34
Houston, Texas 77001

Dunn Equipment, Inc.
P. O. Box 810
Galveston, Texas 77550

Duplantis Truck Lines, Inc.
P. O. Box 127
Houma, La.

Eastern Airlines
P. O. Box 20045
New Orleans, La. 70141

D. C. Eckler
8523 Cayton
Houston, Texas 77017

Electrical Service
1223 23rd Street
Galveston, Texas 77550

Ernst Insurance Agency
2419 Fannin
Houston, Texas 77002

Dr. Joseph P. Evans
P. O. Box 98
West Chester, Pennsylvania 19380

Electric Supply Co.
2312 Mechanic
Galveston, Texas 77550

Fair Grounds Corp.
P. O. Box 52529
New Orleans, La. 70150

Fidelity Printing Co., Inc.
P. O. Box 2622
Houston, Texas 77001

First Liberty National Bank P/R
Liberty Texas

St. Bond Veterinary Clinic
P. O. Box 869
Rosenberg, Texas 77471

Ft. Worth Pipe & Supply
P. O. Box 2108
Ft. Worth, Texas 76100

Foxtole Farm
Route #1
Nicholosville, Kentucky 40356

Franks Casing Crew & Rental Tools
P. O. Box 51729
Lafayette, La. 70501

Frenchy Poodle Shop
2718 Ferndale
Houston, Texas 77006

Galveston County Blue Print
628 21st Street
Galveston, Texas

General Supply & Equipment Co.
P. O. Box 18306
Houston, Texas 77023

Georgetown Inn, Inc.
I310 Wisconsin Ave.
Washington, D. C. 20007

Great Southern Life Insurance Co.
P. O. Box 1972
Houston, Texas 77001

Griffin Turf Supplies
Fairmont Park
Collinsville, Ill.

G.T.S. Corp.
744 St. Charles Ave.
New Orleans, La. 70130

Gulf Coast Wire Rope, Inc.
P. O. Box 1111
Pasedena, Texas 77501

Gulf Vacuum Service
P. O. Box 175
High Island, Texas

Gulfport Shipbuilding Corp.
P. O. Box D
Port Arthur, Texas 77641

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Gulf Oil Corp.
P. O. Box 1318
Houston, Texas 77001

Gray Tool Co.
P. O. Box 2291
Houston, Texas 77001

Geolograph Service Corp.
P. O. Box 25246
Oklahoma City, Okla. 73125

Leland Hammer Corp.
P. O. Box 1065
Houston, Texas 77001

A. B. Hancock, Jr.
P. O. Box 150
Paris, Kentucky 40361

Harvey Canal Ship Service, Inc.
P. O. Box 184
Harvey, La. 70058

Hanke & Pillot
P. O. Box 1309
Houston, Texas 77001

Hertz Corp.
P. O. Box 2856
New York, N. Y. 10017

Hertz Systems, Inc.
P. O. Box 3145, Grand Central Station
New York, N. Y. 10017

J. Ed Hill, Inc.
P. O. Box 13030
Houston, Texas 77019

The Hilton Inn
P. O. Box 338
Kenner, La. 70062

Martin Hisle
608 Creel Ave.
Louisville, Kentucky 40208

James Hobden
1738 Soniat St.
New Orleans, La. 70115

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Right
Accounts Payable

Louis N. Hodges Jack Photographer
Fair Grounds Race Track
New Orleans, La.

Hogan Allnack Co.
P. O. Box 52700
Houston, Texas 77052

Holtzman, Wise & Shepard
30 Broad Street
New York, N. Y. 10004

Hornback's Auto Parts
207 E. Dumble
Alvin, Texas

Hotel Ambassador Hotel
1300 North State Parkway
Chicago, Illinois 60610

Houston Armature Works
P. O. Box 9503
Houston, Texas 77011

Houston Auto Glass Co.
2310 Louisiana
Houston, Texas 77006

Houston Export Crating Co., Inc.
P. O. Box 9200
Houston, Texas 77011

Houston Fire Safety Equipment Co.
P. O. Box 9565
Houston, Texas 77011

Houston Jewelry & Distributing Co.
802 Milam
Houston, Texas 77002

Houston Tribune
4901 Richmond Ave.
Houston, Texas 77027

Houston Trunk Factory
727 Main St.
Houston, Texas 77002

Hughes Bros., Inc.
17 Bathery Place
New York, N. Y. 10004

Fred J. Hunt
302 22nd Street
Galveston, Texas 77550

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Nine
Accounts Payable

Henckel Lumber Co., Inc.
P. O. Box 147
Hitchcock, Texas

Humble Oil & Refining Company
P. O. Box 1353
Houston, Texas 77001

Ideal Laundry, Inc.
2635 Ioulousa Street
New Orleans, La. 70119

The Inn Restuarant
P. O. Box 600
Dulac, Louisiana

Kerr-McGee Corp.
P. O. Box 25281
Oklahoma City, Okla. 73125

Keystone Drug Co.
1010 Louisiana
Houston, Texas 77002

Kanpp Lock & Safe Company
2408 Austin St.
Houston, Texas 77004

Koenig Welding Supply Co.
P. O. Box 489
Rosenberg, Texas

L & L Welding Supply Co.
P. O. Box 7338
Houston, Texas 77008

LaBowe Oil Well Service, Inc.
P. O. Box 2829
Beaumont, Texas

Laredo Implement Company
509 Market
Laredo, Texas 78040

Laredo Motor Mach, Inc.
P. O. Box 1259
Laredo, Texas 78040

J. W. Lee Company, Inc.
3307 Kirby Drive
Houston, Texas

The Liberty Supply
P. O. Box 552
Liberty, Texas 77575

Page Eleven
Accounts Payable

Daniel L. Morrow
717 Second St.
Gretna, La.

Mr. & Mrs. Don R. Mullins
3808 Inverness Drive
Houston, Texas

Mustang Tractor & Equipment Co.
Box 1373
Houston, Texas 77001

Joe Myers Ford, Inc.
4410 Westheimer
Houston, Texas 77027

A. Lee Morgan
944 St. Charles Ave.
New Orleans, La.

Frank Navro
P. O. Box 1521
McAllen, Texas

Nash Automotive
914 Texas Avenue
Texas City, Texas 77590

National Brake & Transmission Service
800 St. Charles Ave.
New Orleans, La.

National Cotton, Inc.
1828 Avenue C
Galveston, Texas

National Truck & Equipment Co.
1718 McConty Drive
Houston, Texas 77029

John R. Neale, DVM
848 Melrose Ave.
El Paso, Texas

Neiman-Marcus
Dallas, Texas 75201

Newman Bros. Trucking
P. O. Bx. 13302
Ft. Worth, Texas 76118

New Orleans Oil Directory
5614 Albany Court
New Orleans, La. 70114

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...ten
Accounts Payable

Longhorn Supply Co., Inc.
P. O. Box 3598
Tulsa, Oklahoma 74152

Louisiana Gridweek
P. O. Box 51444
New Orleans, La. 70150

John E. Lyle
Lincoln Liberty Life Bldg.
Houston, Texas

Lynch & Sons Van & Storage
144 Townsend St.
San Francisco, Calif. 94107

Pat Mahoney
Rt. 2, Box 617
Hot Springs, Ark. 71901

Major Brands, Inc.
2601 Almonaster Ave.
New Orleans, La. 70117

Marion L. Martin & Co.
2626 Westheimer Rd.
Houston, Texas 77006

The Mayflower
Washington, D. C. 20036

McClinton Tool Co.
8603 Glenaire
Houston, Texas 77017

John W. Mecom, Jr.
P. O. Box 2566
Houston, Lexas 77001

Mecom Racing Enterprises, Inc.
P. O. Box 26777
Houston, Texas 77032

John W. Mecom, Trustee #,
2307 First City National Bldg.
Houston, Texas 77002

A. G. Milner
2047 Swift
Houston, Texas 77025

John R. Morgan Co.
19251 McIntyre Ave.
Detroit, Michigan 48219

Twelve
Accounts Payable

Oilwell
P. O. Box 478
Dallas, Texas

Oil Tools, Inc.
P. O. Box 6511
Houston, Texas

Orkin Exterminating Co.
P. O. Box 225
Gretna, La. 70053

P & M Electric Co.
2410 Crocker St.
Houston, Texas 77006

Pan American World Airways
P. O. Box 2212
Boston, Mass. 02107

Patterson Hardware & Garden Supply
1991 West Gray
Houston, Texas 77019

Petroleum Distributing Co.
P. O. Box 203
Houston, Texas 77001

Pinedo & Hill
2250 Tenneco Bldg.
Houston, Texas 77002

Ernest Proctor Stable
Route #4
Shelbyville, Kentucky 40065

Proler Steel Corp.
P. O. Box 286
Houston, Texas 77001

Precision Rebuilders, Inc.
P. O. Box 343
Harvey, La. 70058

Ramada Club
29th Floor, First City Nat'l Bldg.
Houston, Texas 77002

Rapid Delivery Service
5901 Schumacher Lane
Houston, Texas

Registry Office - The Jockey Club
300 Park Ave.
New York, N. Y. 10022

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Thirteen
Accounts Payable

Republic Parts
3101 Broadway
Galveston, Texas 77550

Resolution Research Engineering
P. O. Box 6311
New Orleans, La. 70114

Richardson's Rubber Stamp
P. O. Box 52267
Houston, Texas 77052

Bob Robertson, Inc
P. O. Box 18555
Houston, Texas 77023

Edward P. Roederer, Jr.
312 Kanen Drive
Lafayette, La. 70501

Rohms' Flower Shop
629 Cherokee
New Orleans, La. 70118

Noxie Romano Fine Jewelry
1002 Louisiana
Houston, Texas

Schlumberger Well Service
Lock Box 2183
Houston, Texas 77001

Scott & Co., Inc.
P. O. Box 4031
Lexington, Ky. 40504

Shell Morgan Landing, Inc.
Route 3, Box 170
Abbeville, La. 70510

Sigma Alpha Epsilom Fraternity
P. O. Box 1016
Norman, Okla. 73069

Skil Corp.
5033 Elston Ave.
Chicago, Ill. 60630

South Publishers, Inc.
800 Houston St.
Laredo, Texas 78040

A930 O A 930

Southwest Wheel & Manufacturing Co.
2727 Canal St.
Houston, Texas 77001

Spendthrift Farm
P. O. Box 996
Lexington, Ky. 40501

Steve Stonebreaker
P. O. Box 51444
New Orleans, La. 70150

Surveyors Instrument Co., Inc.
1201 Chenevort St.
Houston, Texas 77003

Tommy's Lumber Sales
P. O. Box 199
Sulphur, La. 70663

Texas National Bank of Commerce
Houston, Texas

Texas City Armature Works, Inc.
P. O. Box 2126
Texas City, Texas 77590

Texas International Airlines
P. O. Box 60336 AMF
Houston, Texas 77060

Texas Iron Works
P. O. Box 35320
Houston, Texas 77035

Touzet Saddlery Mfg.
1551 Crete St.
New Orleans, La. 70119

U. S. Oil of La., Inc.
P. O. Box 2566
Houston, Texas 77001

U. S. Oil of La. Ltd.
P. O. Box 2566
Houston, Texas 77001

Walston & Co., Inc.
74 Wall Street
New York, N. Y. 10005

Welex
P. O. Drawer 1431
Duncan, Oklahoma 73533

A931

Fifteen
Account Payable

Western Air Products
4340 Holmes Road
Houston, Texas 77051

Western Auto Associate Store
8621 Highway 6
Hitchcock, Texas 77563

Westinghouse Electric Corp.
615 Harrison
San Francisco, Calif.

Wilson Supply
P. O. Box 1492
Houston, Texas 77001

Henry W. Withers, M. D.
1010 Louisiana
Houston, Texas 77002

Ester Wolk
Post Oak & San Felipe Road
Houston, Texas

Word Electric
P. O. Box 66
Hitchcock, Texas

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RAMROD DRILLING CO.

ACCOUNTS PAYABLE

Cardinal Wireline Specialists, Inc.
P. O. Box 1012
New Iberia, La. 70560

Cenac Towing Co., Inc.
Foot of Palms Ave.
Houma, La.

Dicks Engine & Supply Co.
9732 Jordan Street
Houston, Texas 77017

Domino Leasing Corp.
P. O. Box 2147
Morgan City, La. 70380

Dresser Ideco
P. O. Box 3350
Beaumont, Texas 77704

Duplantis Truck Line, Inc.
P. O. Box 127
Houma, La.

Geist-Wurzlaw Flying Service
Houma, La.

Harvey Rig-Air & Engine Service
P. O. Box 753
New Iberia, La. 70560

E. W. Henry Hardware, Inc.
P. O. Box 100
Kaplan, La. 70548

Levingston Shipbuilding
P. O. Box 968
Orange, Texas 77630

Liberty Supply Co.
2307 First City National Bank Bldg.
Houston, Texas 77002

Murphy's Lease & Welding Service
1828 South Henry St.
Abbeville, La.

South Louisiana Contractors
P. O. Box 51772 Oil Center Station
Lafayette, La. 70501

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Page Two
Accounts Payable

Teche Construction Co., Inc.
New Iberia, La.

Theriot, Dueh & Theriot, Inc.
2100 North First Street
Golden Meadow, La. 70357

National Supply Division
P. O. Box 723
Houston, Texas 7001

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SECURED CREDITORS OF JOHN W. MECOM

Name & Address:

U. S. Oil of Louisiana, Inc.
944 St. Charles Avenue
New Orleans, Louisiana

Dr. Julia Frazier
1918 Sul Ross
Houston, Texas 77006

Paul Hopkins
1901 Scott Street
LaMarque, Texas 77568

E. C. Scurlock
Houston Club Building
Houston, Texas

Israel Proler
7501 Wallisville Road
Houston, Texas

King Resources
Denver, Colorado

CREDITORS TO WHOM A GUARANTY HAS BEEN GIVEN BY JOHN W. MECOM

Name & Address:

Bank of Nova Scotia
712 Main Street
Houston, Texas 77002

1st City National Bank of
Houston, 1001 Main Street
Houston, Texas 77002

Prudential Insurance Company of America
Prudential Plaza
Newark, New Jersey

Houston International Hotels
Warwick Hotel
Houston, Texas

Prudential Insurance Company
of America
Houston Mortgage Loan Office
P. O. Box 2225
Houston, Texas77001

Lake Washington, Inc.
P. O. Box 2566
Houston, Texas 77001

Continental Oil Company
Chase Manhattan Bank
New York, New York

D. C. Elwood
c/o Trust Department
1st City National Bank
P. O. Box 2557
Houston, Texas 77001

Bethlehem Pension Investment
Morgan Trust Company of New York
Trustee of the Pension Trust of
Bethlehem Steel Corp, and Sub-
sidiary Companies
23 Wall Street
New York, New York

A935 6 0, A 935

CREDITORS TO WHOM GUARANTY HAS BEEN GIVEN (Cont'd)

M. L. Evans
2321 Broadway
Galveston, Texas

G. F. & Rose Emma Plummer
c/o Alvin State Bank
Alvin, Texas

General Services Administration
Mr. B. C. Hamilton, Chief
Credit & Finance Division
819 Taylor Street
Fort Worth, Texas 76102
Bill No. 118-0207

Mobil Oil Corporation
150 East 42nd Street
New York, New York

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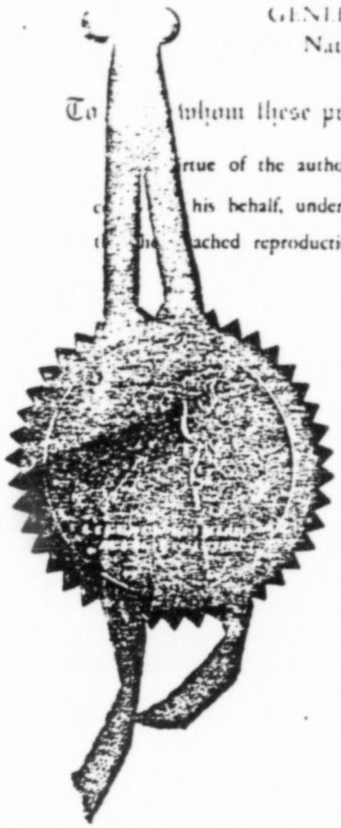
GENERAL SERVICES ADMINISTRATION
National Archives and Records Service

To [illegible] whom these presents shall come, Greeting:

[illegible] irtue of the authority vested in me by the Administrator of General Services, I [illegible] his behalf, under the seal of the United States General Services Administration, [illegible] ached reproduction(s) is a true and correct copy of documents in his custody.



SIGNATURE	Donald W. Tripp
NAME	DONALD W. TRIPP
DATE	5-17-76
TITLE	DIRECTOR
NAME AND ADDRESS OF DEPOSITORY	FEDERAL ARCHIVES AND RECORDS CENTER P. O. BOX 6216 FORT WORTH, TEXAS 76115

GSA FORM APR '66 6791E

USA 32m-475
(ED. 6-23-71)

EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.

W

FPI-84—6-26-76-25M-8315

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U. S. DISTRICT COURT
WESTERN DISTRICT OF LOUISIANA
FILED
DEC 23 1970
ALTON L. CURTIS, CLERK
BY Dorothy C. Fedrick
DEPUTY

UNITED STATES DISTRICT COURT

WESTERN DISTRICT OF LOUISIANA

LAKE CHARLES DIVISION

IN THE MATTER OF	:	IN PROCEEDINGS FOR
	:	
JOHN W. MECOM, SR., and his wife,	:	AN ARRANGEMENT
	:	
MARY ELIZABETH MECOM,	:	NO. 24214; SECTION _____
	:	
DEBTORS	:	

SCHEDULE OF EXECUTORY CONTRACTS

1. Oil and gas mineral lease dated June 23, 1970, entered into between U. S. Oil of Louisiana, Ltd., 4-M Properties, Ltd. as Lessor and John W. Mecom, Sr. as Lessee, for a primary term of two years affecting land in Cameron Parish, Louisiana, located in Sections 28, 29, 30, 31 and 32, Township 14 South, Range 11 West; Sections 2, 3, 4, 5 and 6, Township 15 South, Range 11 West; Sections 25 and 36, Township 14 South, Range 12 West; and Section 5, Township 15 South, Range 12 West, as more specifically described within the lease. The lease provides for the payment of a one-fourth (1/4th) royalty to the Lessor upon obtaining production.

2. Guaranty Agreement dated June 27, 1968, executed by John W. Mecom, Sr. and Mary Elizabeth Mecom as Guarantors, within which they unconditionally guaranty the payment of two promissory notes made by U. S. Oil of Louisiana, Inc. in favor of Prudential Insurance Company, the first being dated August 23, 1963, in the original principal amount of $16,560,150.32; the second being dated January 6, 1965, in the principal amount of $4,000,000.00, and also personally guaranteed the payment of $44,000,000.00 of 8% sinking fund notes due June 26, 1980, made by Lake Washington, Inc. owned by Prudential Life Insurance Company of America, and guaranteed payment

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of note executed by U. S. Oil of Louisiana, Inc. payable to the order of Lake Washington, Inc. dated June 26, 1980, in the original amount of $15,728,547.00.

3. Guaranty Agreement dated June 27, 1968 executed by John W. and Mary Elizabeth Mecom, in favor of First City National Bank of Houston and The Bank of Nova Scotia related to a promissory note in the amount of $18,000,000.00 in favor of The Bank of Nova Scotia executed by U. S. Oil of Louisiana, Ltd., and U. S. Oil of Louisiana, Inc., and a promissory note in the amount of $5,000,000.00 executed by the same makers in favor of First City National Bank of Houston, both notes being dated June 27, 1968. By the Guaranty Agreement John W. Mecom, Sr. and Mary Elizabeth Mecom unconditionally guaranteed payment of the sums due under the notes and the related bank loan agreement and security instrument.

4. An agreement of partnership in commendam to be known as U. S. Oil of Louisiana, Ltd., dated June 27, 1968 entered into by U. S. Oil of Louisiana, Inc. as General Partner and John W. Mecom and Mary Elizabeth Mecom as Limited Partners.

5. Agreement dated December 24, 1969 entered into with King Resources Company for the purchase of a 1/64th of King Resources Company's working interest in certain designated permits as set out fully in the contract, for a total purchase price of $2,609,120.50. There was a down payment of $260,912.05, with 12 equal installments of $413,110.75 each to be due on the first days of June and October, 1970 through October, 1975, with the installments to be applied

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first on exploration work, and all other payments toward the purchase price.

6. Employment Contracts with 17 persons on the payroll of John W. Mecom, Sr., Individually, as follows:

NAME	RATE OF PAY
Van Dockery	$2.00 per hour
Mary Ruth Fields	260.00 per month
Wilda Mouton	260.00 per month
Cecile E. Myers	303.33 per month
B. Ellis Head	1,000.00 per month
David A. Logsdon	950.00 per month
Jesse David	315.00 per month
Vernon Gallup	1.60 per hour
Charles M. Hemphill	1.60 per hour
Philip R. W. Landry	450.00 per month
Gollie Leveane	2.60 per hour
R. L. Collier	3.60 per hour
Ramior Del Bosque	1.60 per hour
Ruben Del Bosque	1.60 per hour
Terry A. Reeves	3.50 per hour
W. T. Riggs	3.50 per hour
Harvey L. West	2.50 per hour

7. Agreement between John W. Mecom and wife, Mary Elizabeth Mecom, and Occidental Petroleum Corporation dated October 16, 1970, pursuant to which the parties agree to organize a new corporation referred to as "Oxy-Mecom", and providing for ownership of the capital shares of such corporation and the transfer by Mecom and his wife to the corporation of certain properties including in substance all property owned by John W. Mecom and wife, Mary Elizabeth Mecom, except certain excluded properties. This agreement further makes certain provisions for management and operation of the corporation. (See note below.)

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8. A contract dated June 30, 1970 between The Downtowner Corp., U. S. Oil of Louisiana, Inc. and John W. Mecom, Individually, pursuant to which The Downtowner Corp. will issue to John W. Mecom under a plan of reorganization 100,000 shares of its $1.00 par value convertible preferred stock in exchange for all of the stock of Houston International Hotel, Inc., and Mecom will cause Negociacion Bolivar S.A., as Lessee, and Inversiones Gran Hotel Bolivar S.A., as Lessor, to enter into a lease of certain real estate, the hotel, and the fixtures and furnishings, located in Lima, Peru, and Downtowner would organize a limited partnership to purchase, subject to the indebtedness and existing liens, the property known as the Warwick Hotel, being Block 1, and the Northerly 146 feet of Block 6 of Herman Park Addition, Houston, Texas. (See note below)

NOTE: The contracts referred to above as numbers 7 and 8 are not recognized by John W. Mecom and Mary Elizabeth Mecom as subsisting and enforceable contracts or obligations as to John W. Mecom and Mary Elizabeth Mecom.

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The foregoing represents a listing of the executory contracts of the debtors as of the date of the filing of the arrangement proceedings.

John W. Mecom
JOHN W. MECOM, SR.

Mary Elizabeth Mecom
MARY-ELIZABETH MECOM

STATE OF LOUISIANA

PARISH OF CALCASIEU

WE, JOHN W. MECOM and MARY ELIZABETH MECOM, the persons who subscribed the foregoing list of executory contracts do make solemn oath that the statement is true and complete to the best of our knowledge, information and belief.

John W. Mecom
JOHN W. MECOM, SR.

Mary Elizabeth Mecom
MARY-ELIZABETH MECOM

SWORN TO AND SUBSCRIBED before me this 15th day of December, 1970.

Edwin Kidd Hunter
NOTARY PUBLIC

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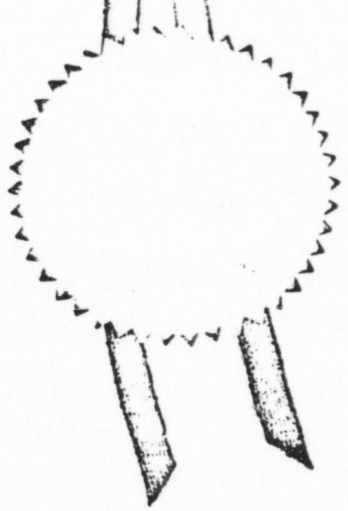
GENERAL SERVICES ADMINISTRATION
National Archives and Records Service

To [illegible] whom these presents shall come, Greeting:

[illegible]rtue of the authority vested in me by the Administrator of General Services, I [illegible] his behalf, under the seal of the United States General Services Administration, [illegible]tached reproduction(s) is a true and correct copy of documents in his custody.



Donald W. Tripp

DONALD W. TRIPP | 5-17-96

DIRECTOR

FEDERAL ARCHIVES AND RECORDS CENTER
P. O. BOX 6216
FORT WORTH, TEXAS 76115

GSA FORM APR 66 6791E

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FILED
DEC 14 1970
U. S. DISTRICT COURT
WEST. DIST. OF LOUISIANA
LeROY SMALLENBERGER
REFEREE IN BANKRUPTCY

UNITED STATES DISTRICT COURT

WESTERN DISTRICT OF LOUISIANA

LAKE CHARLES DIVISION

IN THE MATTER OF	:	IN PROCEEDING FOR
	:	
JOHN W. MECOM, SR., and his wife,	:	AN ARRANGEMENT
	:	
	:	NO. 24214; SECTION _____
MARY ELIZABETH MECOM,	:	
	:	
DEBTORS	:	

: : : : : : : : : : : : : : : : : : :

PETITION TO REJECT EXECUTORY CONTRACT

TO THE HONORABLE, LEROY SMALLENBERGER, REFEREE IN BANKRUPTCY

IKE HOSKINS, of Lake Charles, Louisiana, Receiver of the estates of JOHN W. MECOM, SR. and his wife, MARY ELIZABETH MECOM, in these proceedings, respectfully represents:

1. That John W. Mecom, Sr. and Mary Elizabeth Mecom, on December 4, 1970, filed a petition herein for an arrangement, and on December 7, 1970, Ike Hoskins was appointed Receiver.

2. On June 27, 1968, an Agreement of Limited Partnership and Partnership in Commendam, ("the Partnership") was executed between U. S. Oil of Louisiana, Inc., as general partner, and Mary Elizabeth Mecom, wife of and John W. Mecom, as limited partners, under the name of U. S. Oil of Louisiana, Ltd.

3. Under the terms and provisions of the said partnership agreement, a fully conformed copy of which is attached hereto, John W. Mecom, Sr. and Mary Elizabeth Mecom transferred and conveyed to the partnership a 97-1/2% interest in certain movable and

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immovable property which is described in Exhibit "A" of the partnership agreement, all of which were placed under the management and control of the general partner, U. S. Oil of Louisiana, Inc.

4. That as of December 4, 1970, the date of the filing of the initial petition herein, the partnership agreement described in Paragraph 2 above was an executory contract.

5. On November 25, 1970, the general partner, U. S. Oil of Louisiana, Inc., filed a petition in the New Orleans Division, Eastern District of Louisiana, United States District Court, for an arrangement under Chapter X of the Bankruptcy Act, in proceedings entitled "United States District Court, Eastern District of Louisiana, New Orleans Division, In the Matter of: U. S. Oil of Louisiana, Inc., Debtor, In Proceedings for the Reorganization of a Corporation, No. 70-2015, Section D", which proceedings were subsequently consolidated with, "In the Matter of: Lake Washington, Inc., Debtor, In Proceedings for the Reorganization of a Corporation, No. 70-2014, Section D."

6. For the manifest and best interest of the estates of John W. Mecom, Sr. and his wife, Mary Elizabeth Mecom, and the creditors of their estates, and for the orderly and efficient administration of their estates before this Court, petitioner hereby rejects the partnership as an executory contract and declares the partnership dissolved.

7. Petitioner desires and is entitled to recognition by this Court of the rejection of the partnership as an executory contract, the dissolution of the partnership, and the confirmation

by the Court that the 97-1/2% of all property, movable and immovable, comprising the assets of the partnership, is a part of the estates of John W. Mecom, Sr. and Mary Elizabeth Mecom and under the administration of this Court in these proceedings and the possession, management and administration thereof is vested in IKE HOSKINS, Receiver.

At Houston, Texas, this 17 day of December, 1970.

Ike Hoskins
Receiver

ATTORNEY FOR RECEIVER

RICHARD B. SADLER, JR.

VERIFICATION

STATE OF TEXAS :

COUNTY OF HARRIS:

BEFORE ME, the undersigned authority, on this day personally appeared IKE HOSKINS, whose name is subscribed to the foregoing instrument, who, after being sworn by me, upon his oath states that the statements contained in the foregoing instrument are true and correct to the best of his knowledge, information and belief.

Ike Hoskins
RECEIVER

SWORN TO AND SUBSCRIBED before me, on this 17 day of December, 1970, at Houston, Texas.

NOTARY PUBLIC
KATIE C. REEGS
Notary Public in and for Harris County, Texas
My Commission Expires June 1, 1972

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ORDER

The foregoing petition and premises considered,

IT IS ORDERED THAT the partnership agreement dated June 27, 1968, creating the limited partnership and partnership in commendam between U. S. Oil of Louisiana, Inc., as general partner, and Mary Elizabeth Mecom, wife of and John W. Mecom, as limited partners, which partnership is known as "U. S. Oil of Louisiana, Ltd.", as an executory contract, be rejected, ~~and the said partnership dissolved,~~

FURTHER ORDERED that ~~97-1/2%~~ of all property, movable and immovable, comprising the assets of the partnership, U. S. owned by John W. Mecom, Sr. and Mary Elizabeth Mecom, as limited partners, included in Oil of Louisiana, Ltd. is confirmed as a part of the estates of John W. Mecom, Sr. and Mary Elizabeth Mecom, and under the administration of this Court in these proceedings, and the possession, management and administration thereof is vested in IKE HOSKINS, Receiver.

Shreveport, Louisiana, this 14th day of December, 1970.

LeRoy Smallenberger
REFEREE IN BANKRUPTCY

filed 1 3:15 P.m - 12-14-70 LeS

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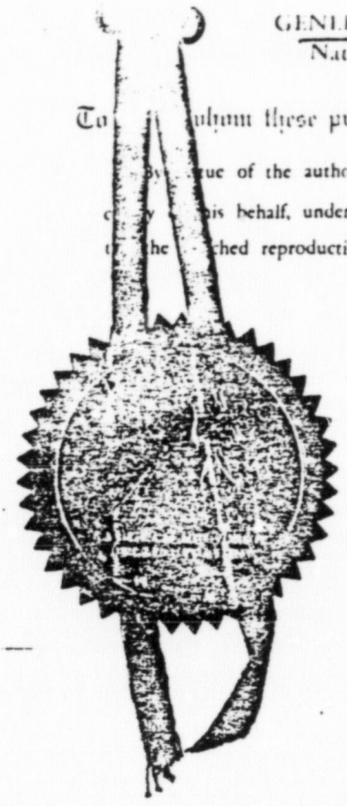
GENERAL SERVICES ADMINISTRATION
National Archives and Records Service

To [illegible] whom these presents shall come, Greeting:

[illegible] by virtue of the authority vested in me by the Administrator of General Services, I [illegible] on his behalf, under the seal of the United States General Services Administration, that the [illegible]ched reproduction(s) is a true and correct copy of documents in his custody.



SIGNATURE	Donald W. Tripp
NAME	DONALD W. TRIPP
DATE	5-17-76
TITLE	DIRECTOR
NAME AND ADDRESS OF DEPOSITORY	FEDERAL ARCHIVES AND RECORDS CENTER P. O. BOX 6216 FORT WORTH, TEXAS 76115

GSA FORM 6791E

DEFENDANT'S
EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.
Y Id

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CAMP, CARMOUCHE, PALMER, CARWILE & BARSH
ATTORNEYS AT LAW
4TH FLOOR PIONEER BUILDING
POST OFFICE DRAWER 2001
TEL. 433-0358

JOHN C. CAMP
EDWARD M. CARMOUCHE
PAUL E. PALMER
CHARLES W. CARWILE
HARRY E. BARSH, JR.
VIRGINIA MARTIN CARMOUCHE
CHARLES ROMANO
MAURICE L. TYNES
JOHN A. JEANSONNE, JR.
EDWIN K. HUNTER

LAKE CHARLES, LOUISIANA
70601

February 8, 1971

Mr. Leroy Smallenberger
P. O. Box 28
Shreveport, Louisiana

Re: John W. Mecom
In Arrangement No. 24,214

Dear Mr. Smallenberger:

As we discussed by telephone recently, I hope to have the full schedules completed within the next few days. Enclosed are pleadings calling for the setting of the first meeting of the creditors. There is presently in the record at the Clerk's office a full typed list showing names and addresses of all unsecured creditors. I am attaching a list of names and addresses of the secured creditors, and the creditors to whom there is some contingent liability on behalf of the debtors, so that the Clerk will have a full set of names and addresses to send notices of the meeting.

Please feel free to phone me collect if there is any problem in proceeding to set the first meeting of the creditors prior to filing of the full schedules.

Best regards.

Yours very truly,

CHARLES W. CARWILE

CWC/lbb
Encls.
P.S. Please have the Clerk send me a certified copy of the Order after it is filed.

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SECURED CREDITORS OF JOHN W. MECOM

Name & Address:

U. S. Oil of Louisiana, Inc.
944 St. Charles Avenue
New Orleans, Louisiana

Dr. Julia Frazier
1918 Sul Ross
Houston, Texas 77006

Paul Hopkins
1901 Scott Street
LaMarque, Texas 77568

E. C. Scurlock
Houston Club Building
Houston, Texas

Israel Proler
7501 Wallisville Road
Houston, Texas

King Resources
Denver, Colorado

CREDITORS TO WHOM A GUARANTY HAS BEEN GIVEN BY JOHN W. MECOM

Name & Address:

Bank of Nova Scotia
712 Main Street
Houston, Texas 77002

1st City National Bank of
Houston, 1001 Main Street
Houston, Texas 77002

Prudential Insurance Company of
America
Prudential Plaza
Newark, New Jersey

Houston International Hotels
Warwick Hotel
Houston, Texas

Prudential Insurance Company
of America
Houston Mortgage Loan Office
P. O. Box 2225
Houston, Texas77001

Lake Washington, Inc.
P. O. Box 2566
Houston, Texas 77001

Continental Oil Company
Chase Manhattan Bank
New York, New York

D. C. Elwood
c/o Trust Department
1st City National Bank
P. O. Box 2557
Houston, Texas 77001

Bethlehem Pension Investment
Morgan Trust Company of New York
Trustee of the Pension Trust of
Bethlehem Steel Corp, and Sub-
sidiary Companies
23 Wall Street
New York, New York

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CREDITORS TO WHOM GUARANTY HAS BEEN GIVEN (Cont'd)

M. L. Evans
2321 Broadway
Galveston, Texas

G. F. & Rose Emma Plummer
c/o Alvin State Bank
Alvin, Texas

General Services Administration
Mr. B. C. Hamilton, Chief
Credit & Finance Division
819 Taylor Street
Fort Worth, Texas 76102
Bill No. 118-0207

Mobil Oil Corporation
150 East 42nd Street
New York, New York

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GENERAL SERVICES ADMINISTRATION
National Archives and Records Service

To [illegible] whom these presents shall come, Greeting:

I, by virtue of the authority vested in me by the Administrator of General Services, I hereby certify on his behalf, under the seal of the United States General Services Administration, that the attached reproduction(s) is a true and correct copy of documents in his custody.

SIGNATURE: Donald W. Tripp
NAME: Donald W. Tripp
DATE: 5-18-76
TITLE: Director
NAME AND ADDRESS OF DEPOSITORY:
FEDERAL ARCHIVES AND RECORDS CENTER
P. O. BOX 6216
FORT WORTH, TEXAS 76115

GSA FORM 6791E

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FILED
FEB 8 1971
U.S. DISTRICT COURT
WEST. DIST. OF LOUISIANA
LePOY SMALLENBERGER
REFEREE IN BANKRUPTCY

IN THE UNITED STATES DISTRICT COURT

FOR THE WESTERN DISTRICT OF LOUISIANA

IN THE MATTER

OF

JOHN W. MECOM, SR. &
MARY ELIZABETH MECOM
Debtors

NO: 24,214 IN A PROCEEDING FOR
AN ARRANGEMENT

We, IKE HOSKINS and WILLIAM C. SANDOZ, Co-Receivers herein, do hereby cause to be filed with the Referee in Bankruptcy, an inventory of the assets of this estate taken from the books and records of the debtors without physical inspection, and your Receivers ask that the attached inventory be filed with full reservation to make such additions, deletions, and alterations as are appropriate upon the completion of the actual physical inventory.

Ike Hoskins
IKE HOSKINS, Co-Receiver

W C Sandoz
WILLIAM C. SANDOZ, Co-Receiver

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PROMISSORY NOTES

Astro Services Inc., in the amount of $11,289.98, which is of doubtful value

E. P. Gregory, Jr., in the amount of $20,000.00, which is of doubtful value

Elco Implement Company, in the amount of $25,000.00, which is of doubtful value

J. E. Hill, in the amount of $5,756.19

John W. Mecom, Jr., in the amount of $1,586,430.86

A. V. Waites, in the amount of $133.45, which is of doubtful value

Galveston Pleasure Pier in the amount of $25,000.00

E. C. Mullendore III, in the amount of $26,000.00

ADDITIONAL ACCOUNTS RECEIVABLE

John W. Mecom, Trustee, in the sum of $1,028,210.00

Mrs. Harvey Mecom in the amount of $5,061.76

Robert K. and Lannie Moses in the amount of $35,429.84

Don and Betsey Mullins in the amount of $140,732.50

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ADDITIONAL CLAIMS, CHOSES IN ACTION, AND ADVANCES

Colomencia Mineraria, which is unrecoverable, in the sum of $165,266.21

Pierre Comeaux, which is unrecoverable, in the sum of $18,519.47

Coproche Oil Company, Ltd., which is unrecoverable, in the sum of $21,705.50

Gregory R. Dillon in the sum of $41,000.00

Drilling and Exploration, which is unrecoverable, in the sum of $997,006.67

Advances of Mecom Trustee in connection with Lee Circle Building, New Orleans, Louisiana, in the sum of $35,524.09

Little John Corporation, a subsidiary of U. S. Oil of Louisiana, which is in Chapter X in the Eastern District of Louisiana, in the sum of $47,416.80

Lone Star Construction Company, which is unrecoverable, in the sum of $190,847.93

Metanifera Piemontese, which is unrecoverable, in the sum of $41,781.69

North Houston Investments in the sum of $26,195.77

Panama Airways, Inc., which is unrecoverable, in the sum of $132,405.74

Buck Phillips, which is unrecoverable, in the sum of $11,706.92

Pure Oil - Middle East, which is unrecoverable, in the sum of $94,433.80

Jordan Reese, which is unrecoverable, in the sum of $40,000.00

Cash surrender value insurance policies in the sum of $22,881.55

Pierre Comeaux, which is unrecoverable, in the sum of $22,500.00

J.B. Penn, which is unrecoverable, in the sum of $1,200.00

Georgia B. Good, which is unrecoverable, in the sum of $275.00

John W. Mecom, Jr., in the sum of $70,000.00

Robert K. and Lannie Moses in the sum of $117,856.09

Steve Stonebreaker in the sum of $7,000.00

Pierre Comeaux, which is unrecoverable, in the sum of $12,825.00

J.B. Penn, which is unrecoverable, in the sum of $240.00

John W. Mecom, Jr., in the sum of $24,500.00

Robert K. and Lannie Moses in the sum of $17,160.00

Various club memberships in the sum of $2,220.00

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STOCK CERTIFICATES & SECURITIES

300 shares of stock in B. T. B. Corporation

38½ shares of stock in Capital National Bank of Houston

10 shares of stock in First Liberty National Bank

Advance toward organization of Santa Fe-Hitchcock Savings & Loan Association, which was never organized

25,000 shares of Satellite Corporation

INTEREST IN CONTROLLED CORPORATION AND SUBSIDIARIES

Stock in U. S. Oil of Louisiana, Inc., which is in Chapter X in the Eastern District of Louisiana

Stock in Adak Company, Inc., which is understood to be worthless

Stock and advances to Blue Water, Inc.

Stock and advances to Houston International Hotels

Stock and advances to Isla del Franton, which is a Mexican Company

Stock in Polymer Engineering, which is understood to be worthless

Stock in John Mecom Development Corporation, which is understood to be worthless

Stock in the Villa Vera Hotel, which is a hotel located in Alcapulco, Mexico

Stock in Bayou Drilling Company, which is understood to be worthless

OTHER CORPORATE INVESTMENTS

Stock and notes receivable in Clark Book Company, which is understood to be worthless

Stock in Climax Chemical Company, a phosphate company located in New Mexico

Stock in Cotemp Corporation, which is understood to be worthless

1,500 shares of stock in Gulf Union Corporation, Baton Rouge, Louisiana

Notes and stock in Heavy Lift Inc.

1,000 shares of stock in Lena Horne Beauty Products

Stock in Thermatic, Inc.

Stock in Calf Rearing International Inc., which is understood to be worthless

Stock in C. A. V. Spa, which is understood to be worthless

Stock in Safari Services, Co., which is understood to be worthless

Bonds of Los Animos County Hospital

PARTNERSHIPS & JOINT VENTURES

Over 97% of U.S. Oil of Louisiana, Ltd, which is a partnership

Interest in the New Orleans Saints Football Team

Interest in North Houston Investments

Interest in Stevens Interiors of Houston, Texas

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NON-PRODUCING OIL & GAS LEASEHOLDS

Any interest in Code Heirs lease, which has now been dropped, which consisted of 22,903.86 acres

Interest in Joyce Tract, which consists of two shut in gas wells, located in Louisiana

Any interest which they have in and into the King Resources Canadian Leases, which consists of 2,609,120.50 acres

Interest in Peter Constance Tract, consisting of 8,500 acres, situated in Louisiana

Interest in J.A. Davis Tract, consisting of 1,750 acres, located in Louisiana

Interest in L.R. Henry Tract, consisting of 17,200 acres, located in Louisiana

Interest in Cameron School Board Tract, consisting of 600 acres, located in Louisiana

PRODUCING OIL & GAS LEASEHOLDS

Interest in R. Mayes Middleton Tract at Chambers, Texas

PRODUCING OIL ROYALTIES

NAME	MECOM LEASE #	COUNTY	STATE
Community E			
J.J. Tarpey	5	Galveston	Texas
J.W. Lockhart	6	Galveston	Texas
Community G			
Community H			
Community R			
M.P. Ebic	182(3)	Liberty	Texas
W.F. & L.A. Frerichs	2937	Calhoun	Texas
Thomas A. Wheat	141-253-1	Galveston	Texas
H.N. Behison	2409A	Galveston	Texas
Alamo Nat'l. Bank, San Antonio	2409B	Galveston	Texas
D.H. Locke et al			
May Hahenbach	1674	Galveston	Texas
Ray E. Wilkerson	1676	Galveston	Texas
Lars Prekke	3088	Galveston	Texas
T.M. Morley et al			
Euic O'Brien		Galveston	Texas
Charles Corker, Jr. et al	310	Brayoria	Texas
Amy R. Mantor	757	Liberty	Texas
R.D. Patrick	346	Liberty	Texas
J.W. Pew, et al	24	Liberty	Texas
V.R. & A.J. Mueller	175 (1)	Chambers	Texas
West Liberty Oil Company	21	Liberty	Texas
A.S. Sample	3229	Galveston	Texas
E. Thayer	184(1)	Galveston	Texas
C.D. & A. Butler	184(2)	Galveston	Texas
R.J. Hughes, Jr. et al	184(3)	Galveston	Texas
A.B. Riviere	157 (1)	Liberty	Texas
C. Welch & R. J. Sika	182 (16)	Liberty	Texas

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PRODUCING OIL ROYALTIES - CONT'D

NAME	MECOM LEASE #	COUNTY	STATE
W. T. Krause	690	Liberty	Texas
Dominique	1590	LaFourche Parish	Louisiana
Gisclaid	1591	LaFourche Parish	Louisiana
Gisclaid	1592	LaFourche Parish	Louisiana
Gisclaid	1593	LaFourche Parish	Louisiana
Gisclaid	1596	LaFourche Parish	Louisiana
Gisclaid	1599	LaFourche Parish	Louisiana
Gisclaid	1612	LaFourche Parish	Louisiana
South Coast BB2 Sand Unit			
South Coast EE Sand Unit			
Leonerd, Burvillain, Cotton et al (Upper Krumblard Sand Unit "J")	3463, 3559, 3561	LaFourche Parish	Louisiana
Leonerd, Burvillain, Cotton et al (Upper Krumblard Sand Unit "H")	3463, 3559, 3561	LaFourche Parish	Louisiana
O. M. & L. H. Olson	109	Burke	N. Dakota
J. & C. Anderson	117	Divide	N. Dakota
C. & J. Anderson	118	Divide	N. Dakota
O. P. & J. Jolsion	119	Divide	N. Dakota
J. S. Dismukes	3212A	Liberty	Texas
B. E. Johnson	3212B	Liberty	Texas
M. S. Whitaker	3212C	Liberty	Texas
Est. of W. McClendon	3212D	Liberty	Texas
W. B. Moore	3212E	Liberty	Texas
H. S. Spear, Jr.	3212F	Liberty	Texas
E. N. Sherbon	3212G	Liberty	Texas
K. J. Alexander	3212H	Liberty	Texas
K. J. Alexander	3212I	Liberty	Texas
L. L. R. Greeb	3212J	Liberty	Texas
J. W. Mecom, Trustee	3212K	Liberty	Texas

PRODUCING OIL ROYALTIES - CONT'D

NAME	MECOM LEASE #	COUNTY	STATE
Continental Oil Company	3212L	Liberty	Texas
C. P. Benoist		Galveston	Texas
E. W. Boyt et al	182A	Liberty	Texas
H. P. Radcliff	182B	Liberty	Texas
Nancy J. Busby	1478	Goliad	Texas
J. Kate Thomas	3189	Timell	Texas
J. Kate Thomas	3190	Timell	Texas
J. Kate Thomas	3191	Timell	Texas
Polly Simmons	3875	Vermillion Parish	Louisiana

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OIL PROPERTIES - DRILLING EQUIPMENT

Item identified as Rig No. 9 on books of the debtor, being oil well 96 barge, which is an inland water barge rig located in Holland, c/o Captain M. G. Grisel, Harbourmaster, Port of Delfzyl Authority. Delfzyl, Holland

Rig No. 25 being a steam barge located at Hitchcock, Texas

OIL & GAS WAREHOUSE SUPPLIES

Tubing and well head equipment situated in various locations including Houston, Texas, High Island, near Galveston, Texas, Dickinson, Texas, at the Blimp Base at Hitchcock, Texas, and at the Mecom Yard in Harvey, Louisiana

LEASE EQUIPMENT

Interest in equipment on Mayes Estate at Lost Lake, Texas

WELL EQUIPMENT

Well equipment, including tubing and casing, located on Mayes Estate and Cade Heirs at Lost Lake, Texas

GENERAL FIELD EQUIPMENT

General oil field equipment, located at Chacahoula, Louisiana, near sulphur plant

MARINE EQUIPMENT

One Poly-marine boat located on ranch of the Mecom trust at Laredo, Texas

Barge M-143 located at Johnson Bayou, Louisiana

Barge M-144 located at Johnson Bayou, Louisiana

The Texas Tower, which is located at Texas City, Texas

Rig No. 12 barge located at Harvey, Louisiana

The Texan, being a 38 foot fiberglass boat located at the Blimp Base in the State of Texas

The Bloom Gren, being a quarter boat located at Johnson Bayou, Louisiana

Captain Clerc, being a 45 foot steel crew boat located at Johnson Bayou, Louisiana

The Sulphur Queen, being a liquid sulphur boat with no engine located at Crown Point, near Harvey, Louisiana

The New Jersey, being an old yacht, 165 feet long, located at Hitchcock, Texas

The West Cameron, being a tow tug, located at Johnson Bayou, Louisiana

The LaRose, being a push tug, located at Johnson Bayou, Louisiana

The Lake Washington, being a tow tug, located at Harvey, Louisiana

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TRACTORS AND DRAGLINES

MODEL #	DESCRIPTION
	Cleatracs-Crawler Tractors (Nine)
1950	Diesel TD-18 Bulldozer
1950	Diesel TD-18 Bulldozer
1950	Diesel TD-18 Bulldozer
1950	Allis Chalmers Tractor
1951	John Deere Tractor D
1951	Insley Dragline
1951	Insley Dragline
1952	John Deere Tractor H-180
1953	Ford Tractor 8N-16
	Dirt Buggy
1953	Ford Tractor NHA-1460
	Farmall Tractor
1955	Diesel TD-24 Bulldozer 5094
1953	Clark Tractor
	Marsh Buggy
1955	Caterpillar Tractor
1955	Allen H. D. Scale Attachment
1955	Insley Dragline w/Cab-engine
1955	Hancock Elevating Scraper
1955	Hancock Elevating Scraper
1956	International Tractor & Attachments Model M
1956	John Deere Bulldozer
1956	Athey Tractor D-6
	Ducks
1958	Caterpillar Maintainer Model 12
1958	Caterpillar Maintainer Model 12

TRACTORS & DRAGLINES - CONT'D

MODEL #	DESCRIPTION
	Weasel
	Weasel
1960	Caterpillar Bulldozer D-8 2U-12004
1960	[illegible]ainer 8T-2101
1961	[illegible]st Dragline 15159
1961	Northwest Dragline 15393
1962	Mowall 15[illegible] Cutter SMC
	Bulldoze[illegible] 14-A 3605
	Dragline Bucket 5/8 yd.
	Towner Offset Disk Hanow
	Baker Fork Lift 4000
	Cleveland Trencher Model 14
	John Deere Tractor M400
	John Deere Tractor M400
	John Deere Tractor M400
	John Deere Tractor M400
	Gipson Fork Lift 2 [illegible]on
	Caterpillar Cable Control 905188
	Caterpillar Cable Control 9033518
	Hendrix Dragline Bucket 5/8 yd.
	1010 RCV Mower
	Cardwell Tailwheel Assembly
	Cardwell Cutler PL-2
	D-7 Bulldozer
	D-7 Bulldozer
	D-7 Bulldozer
	Caterpillar Maintainer Model 12
	Maline Tractor

TRACTORS & DRAGLINES - CONT'D

MODEL #	DESCRIPTION
	RCV Tractor M1010
	Holland Baler 281
	Two Cardwell Rotary Brush Cutters
	Cardwell 16' Cutter Model 16M
	John Deere Tractor Model 5010
	Manitowac Dragline 3900B
	Ferguson Sheepfoot Roller M12
	John Deere Tractor
	John Deere Tractor
	Diesel Tractor
	John Deere Hyd. Loader

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AIRPLANES

One Northrop C-125 Trimotor airplane, located at Blimp Base at Hitchcock, Texas

Interiors for airplanes

Possibly claim for Fairchild 6-82, which was shot down in Egypt

FARM MACHINERY LOCATED AT MECOM COLORADO RANCH LOS ANIMOS COUNTY COLORADO

One Case Tractor, 1942 Model

One M-M Tractor, 1946 Model

One International Tractor, 1942 Model

One International Tractor, 1967 Model

One John Deere Crawler, 1955 Model

One John Deere Tractor, 1955 Model

One John Deere Tractor, 1962 Model

One New Holland Baler, 1966 Model

Two International Hay Mowers, in good condition

Two International Hay Rakes, in good condition

One Road Grader, in fair condition

One D-6 Caterpillar, in good condition

Two Sprayers for cattle, in good condition

FARM & MISCELLANEOUS EQUIPMENT AT BLIMP BASE AT HITCHCOCK, TEXAS

Hay Barn

John Deere Grain Drill

Tandem Reynolds Loader

Portable Squeeze Shute

Portable Pump 4-6"

Bean Cattle Sprayer

Thirteen (13) Saddles

Curtis Air Compressor (2 H. P.)

Rhome Tool Barrier

Miscellaneous Equipment

McCormick Mower

John Deere Model 2020 Tractor

Simousin Spreader A-15

Holland Baler

John Deere Tractor and Sickle

International Harvester Tractor

Cardwell Mower

International Mower C-2

John Deere Mower M-39

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MOTOR VEHICLES

DESCRIPTION	I.D. #	1970 TEXAS LICENSE #	COUNTY
1967 Cadillac Fleetwood	H7157829	MXS587	Liberty
1965 Oldsmobile	358695R107016	MXS588	Liberty
1965 Chevrolet ½ T.	3680SK187914	5C1748	Liberty
1968 Chev. ½ T.	CS148S157412	SC1747	Liberty
1966 Lincoln Cont.	6U82G435236	PRH98	Harris
1967 Cadillac 75	1R7161705	PRH97	Harris
1950 Chev. 1½ T.	1EA114283	5H8454	Galveston
1951 International	1RD40612711	J51753	Galveston
1955 Ford	F50V5D16322	5H8455	Galveston
1956 Ford ½ T.	F10V6M17637	5H8456	Galveston
1956 Ford 2½ T.	F80S6474106	J51751	Galveston
1957 Kenworth	69056	J51752	Galveston
1960 Ford	F10J0K30456	5H8457	Galveston
1962 GMC ½ T.	10021J21115A	5H8458	Galveston
1962 GMC ½ T.	10024J3254A	5H8459	Galveston
1963 Chev. ½ T.	38144S127984	5H8460	Galveston
1963 Chevrolet Pickup	3C144S160149	5H8461	Galveston
1963 Ford 3½ T.	C85PU442239	J51750	Galveston
1963 Ford ½ T.	F10R363459	5H8462	Galveston
1964 Chevrolet	45680B127028	5H8463	Galveston
1964 Chev. Carryall	4C146S130604	5H8464	Galveston
1964 Ford ¾ T.	F25CD520707	5H8465	Galveston
1964 Ford 2 T.	F60AK570657	5H8466	Galveston
1965 Chevrolet ½ T.	136805K177833	5H8467	Galveston
1965 Chevrolet ½ T.	C1545S183214	5H8468	Galveston
1965 Chevrolet ½ T.	C1545S150951	5H8469	Galveston
1965 Chevrolet ½ T.	C1545S188692	5H8470	Galveston
1965 GMC ¾ T.	1502PF12007B	5H8471	Galveston
1966 Chevrolet ½ T.	C1446S125065	5H8472	Galveston
1965 Chevrolet ½ T.	C1545S147852	5H8473	Galveston
1966 Chevrolet ½ T.	C1446S115190	5H8474	Galveston
1966 Chevrolet ½ T.	C1546S211016	5H8525	Galveston
1966 Ford ¾ T.	F25UK861864	5H8526	Galveston
1966 Ford ½ T.	F10YK886279	5H8527	Galveston
1967 Chevrolet ½ T.	CS147S104170	5H8528	Galveston
1967 Ford Ranchero	7K18H116643	5H8529	Galveston
1968 Chevrolet ½ T.	CS148S109234	5H8530	Galveston
1965 Chevrolet ½ T.	C1545S189549	5H8531	Galveston
1963 Ford ½ T.	F10CD431415	5H8532	Galveston
1957 Nabors	SX23194DT	Z51918	Galveston
1961 T/B Trailer		D61399	Galveston
1963 Shopbuilt trailer	5D107140	Z51989	Galveston
Shopmade trailer		D61397	Galveston
Shopmade trailer		D61398	Galveston
1953 GMC 2½ T.	3817101	545528	Galveston
1965 Ford Pickup	F1 R624314		Galveston
1961 Cadillac	61M034631	NHG116	Galveston
1961 Ford T/B	1Y71Z112113	NHG117	Galveston
1963 Cadillac	63M039510	NHG118	Galveston
1963 Cadillac	63N053851	NHG[illegible]	Galveston
1964 Ford Galaxy	4D62X105669	NHG119	Galveston
1964 Ford Fairlane	4K32F113149	NHG120	Galveston
1964 Olds	884M229279	NHG121	Galveston
1065 Olds Wagon	334553M149576	NHG304	Galveston
1965 Olds	384685M198280	NHG303	Galveston

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MOTOR VEHICLES - CONT'D

DESCRIPTION	I.D. #	1970 TEXAS LICENSE #	COUNTY
1966 Cadillac	R6145665	NHG122	Galveston
1966 Ford	6D74348423	NHG123	Galveston
1966 Lincoln Continental	7489G807568	NHG302	Galveston
1964 Lincoln	4Y82N410696	NHG301	Galveston
1966 Olds	384376M145390	NHG154	Galveston
1966 Olds 98	386696M106286	NHG300	Galveston
1969 Dune Buggy	1651270	NHG400	Galveston
1961 Cadillac	61E043257	JRK768	Zapata
1962 Ford	2Y83Z144330	JRK769	Zapata
1966 Olds	B34556M163840	JRK770	Zapata
1967 Ford	7Y84Z130075	JRK766	Zapata
1967 Ford Bronco	U13KLA19277	JRK767	Zapata
1969 Ford S/W	9D73Y101620	JRK765	Zapata
1954 Chev. Winch	0284505454N	8S6820	Zapata
1963 Ford 2½ T.	B60CU420957	J32811	Zapata
1964 Ford ½ T.	F10CD450419	3W2091	Zapata
1964 Ford 2 T.	960AK525444	3W2092	Zapata
1965 GMC ¾ T.	1502PF13251B	3W2093	Zapata
1967 International	417240G224858	J32812	Zapata
1960 Willis Jeep	5633717028	JRK771	Zapata
1964 Univ. Jeep	57548140277	JRK772	Zapata
1964 Univ. Jeep	57548148097	JRK773	Zapata
1945 Hobbs	407	Y11672	Zapata
1957 Trailmobile	128425	Z32381	Zapata
1959 Shopmade	TR103315	Z32370	Zapata
1960 Nabors	1990CS1	Z32380	Zapata
1955 Cadillac	557502695	LM2859	Colorado Ranch
1959 Ford S/W			Colorado Ranch
1965 Inter. Travelet	SB562994A	LM506	Colorado Ranch
1967 Inter. Travelet	683109H662035	LM508	Colorado Ranch
1969 Inter. PU	233108H791379	LM507	Colorado Ranch
1966 Willis Jeep	8305H219957	LM2860	Colorado Ranch
1954 Inter. Tractor (Junked)			
34' Stock Trailer (Hobbs)			
1969 Chrysler S/W	146B349		New Orleans Louisiana

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REAL ESTATE - TEXAS

Site E, Homewoods in the Riveroaks Addition to the City of Houston, in Harris County, Texas, and bearing municipal No. 2960 Lazy Lane, Houston, Texas. This is the homestead of Mr. & Mrs. John W. Mecom, Sr.

Lot 9, Block 2, Dudley Place, Division C of Houston, Texas

Martin Dunman League, consisting of a 50 acre tract in Galveston County, Texas

Lot 79 Amburn Boat Basin, consisting of a 1 acre tract in Galveston County, Texas

George Hodges Survey Tract, consisting of 2.97 acres in Galveston County, Texas

Lot 3 Block 98 of the A. Edward Survey, consisting of a 5 acre tract in Galveston County, Texas

Seven acres out of J. H. Stengle, a 50 acre tract, and Lot 16 of Block 2, consisting of a total of 17.80 acres in Liberty County, Texas

Survey 193 being ½ of a 5 acre tract in H. & T. C. R. R. Co. in Liberty County, Texas

A ¼ interest in a 5 acre tract in the H. & T. C. R. R. Tract 28 in Liberty County, Texas

A 1 acre tract of the Jessie Devre League Tract 16 N. Daigle 1 in Liberty County, Texas

Part of East ½ of the Francis Smith Survey, located in Liberty County, Texas, and consisting of a 15 acre tract

½ interest in Lots 2 and 3 in Block 43 of City of Liberty, located in Liberty County, Texas, and consisting of a 1 acre tract

A tract consisting of 2.95 acres in the H. & T. C. R. R. Survey in Liberty County, Texas

35/72 of 39.6 acres in H. & T. C. R. R. Survey #179 in Liberty County, Texas

H. & T. C. R. R. Co. Survey #135 - J. J. Bolderack, consisting of a 5 acre tract in Liberty County, Texas

H. & T. C. R. R. Section 179, being a ½ interest in 13.25 acres in Liberty County, Texas

W. S. Smilley Survey, consisting of an 18 acre tract in Liberty County, Texas

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REAL ESTATE - COLORADO

One certain tract containing 1,992 acres of land and situated in Sections 17, 18, 19, and 2 in Los Animos County, Colorado

556.45 acres being Lots 4, 5, 7 and 8 in Sections 31 and 32 in Los Animos County, Colorado

SURFACE LEASE - COLORADO

54,000 acres of land are leased by debtor in Los Animos County, Colorado, from Colorado Fuel & Iron Co. for consideration annually of $26,000.00.

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RACE HORSES

NAME	DESCRIPTION	SIRE	DAM	LOCATION
Betty's Gray	1957 grey mare	Phalanx	Mahmette	
Down-Lo-Rett	1955 bay mare	Knockdown	War-Aster	
My Sister Peg	1959 bay mare	Primate	My Sister	
Prides Gift	1963 bay mare	Kentucky Pride	Duntreath Gift	
Mac Todd	1961 bay mare	High Bandit	Little Winds	
Fast Cookie	1961 bay mare	Beau Gar	Blitz Kuchen	
Lucy B.	1961 bay mare	Inyureye	Cherry Flambeau	
Mary's Pleasure	1962 bay mare	Royal Note	Clepo Miss	
Ann's Hill	1961 bay mare	Ambiorix	Stepper Upper	
Feeling Free	1961 bay mare	Free For All	Miss Etcetera	
Willbesunny	1955 bay mare	I Will	Sun Tigress	
Vici Shan	1955 bay mare	Shannon II	Veni Vici	
Bonita Cuidad	1956 dark bay or brown mare	Windy City II	La Bonita	
High Gravity	1958 bay mare	Panacean	High Weather	
Land of Light	1964 bay mare	Landing	Night Flare	
Middle Joy	1965 bay mare	Big Joy	Middle Course	
Satan Mermaid	1962 bay mare	Neptune	Adversia II	
Indian Papoose	1961 bay mare	Indian Hemp	Early To Bed	
Sash	1960 bay mare	Prince Chevalier	Lattice	
She Will Win	1959 roan mare	Mighty Story	Nyali	
Acceleration	1957 bay mare	Wilwyn	Velocity	
Silver Trace	1962 roan mare	Bernburgoo	Queen Nolat	
Lightfoot Mary	1964 chestnut mare	Footlights	Trinchera	
Dark Shade	1962 black mare	Faultless	Lovely Shade	
Jayca	1960 bay mare	Double Jay	Royca	
Miss Bar Nothing	1963 brown mare	Barbizon	Pousette	
Lucky Please	1957 brown mare	Lucky Oscar	Easy Please	
Mamas Rullah	1959 chestnut mare	Some Chance	Nanka	
Rocks Reel	1964 dark bay mare	Rocky Royale	Easy Reeling	
Miss Lola Lex	1955 bay mare	Lextown	Brier Glen	
Money Market	1963 chestnut mare	To Market	Kaymona	
Ben Alligin	1956 grey mare	Abernant	Diabaig	
Condamine	1957 bay mare	Deliberator	Stimulude	
Ky. News	1959 chestnut mare	Ky. Colonel	Newsmagazine	
Dorothy M.	1963 bay mare	Doge's Son	Fleet Nurse	
All That's Nice	1958 bay mare	Daumier	Tumbling After	
Gulistan	1959 grey mare	Nathog	Bombarda	
Loose Leaf	1961 bay mare	Escadru	Palm Leaf	
Game Trick	1955 chestnut mare	Grand Admiral	Extra Tricks	
Brownie's Baby	1964 chestnut mare	Radiotherapy	Morning Wings	
Orleans Doge	1958 dark bay stallion	The Doge	Correo	
Bwana Tim	1962 bay stallion	Tim Tam	Lillal	
Narushua	1962 chestnut stallion	Nashua	Julie Kate	
Sylvan Ash	1963 grey stallion	Ribot	Kakuma	
Garbatula Go	1962 dark bay or brown stallion	Noureddin	Golly	
O'Bi Bi	1961 bay stallion	Olymphia	Bibibeg	
Betty's Best	1955 bay mare	Dark Star	Flitaway	
Memsaab Mammy	1962 chestnut mare	Count Fleet	Nasrulline	
Somiga	1963 bay mare	Migoli	South Atlantic	
Villetta	1964 chestnut mare	Prince Khaled	Ascona	
Phar Star	1962 chestnut mare	Pharamar	Feather Star	
Barb's Alice	1959 grey mare	Barbizon	Pompous Alice	
Kristy K	1964 chestnut mare	Windsor Ruler	Hurry Please	
Hot Momma	1963 bay mare	Jet Mercury	Busy Busher	
Low Gravity	1959 bay mare	Distillate	Melozina Gal	
Hidden Charm	1957 roan mare	Chicuelo	Shorn Ram	

RACE HORSES - CONT'D

NAME	DESCRIPTION	SIRE	DAM	LOCATION
Dusty Priam	1956 chestnut mare	Priam II	Dusty Legs	
Sun Bingo	1959 grey mare	Sunlit	Cheer Ho	
Tessie	1959 grey mare	Southern Pride	Graymar Bonni	
Carol Joe	1959 bay mare	Comm[illegible]ore Lea	Hepcat	
Blind Royalty	1965 bay mare	One-Eyed King	Oil Queen	
Bleu Burner	1958 chestnut mare	Jet Master	Bleu Feature	
Besbet	1962 dark bay mare	Ballydonnell	Bouncing	
Trust Mine	1956 bay mare	On Trust	Mine Eyes	
Up Top	1964 bay mare	Vertex	Stepper Upper	
Aspe Heath	1960 roan mare	Slam Bang	Derrylea	
Sidetrack Lass	1961 bay mare	Royal Monarch	Trunchera	
Crepewood	1961 chestnut mare	Lees Boy	Marianina	
Israeli Queen	1960 bay mare	Court Splendour	Family Circle	
	1967 dun filly	Roulade	Lassie Bars	
Brindis Wills	1967 chestnut colt	Brindis	Twin Hills	
	1967 bay filly	Persian Road II	Dark Shade	
Roul To Win	1967 bay colt	Roulade	Win By Phar	
Jo Wood	1966 chestnut filly	Woodchuck	Annabelle-Jody	
Miss Cedar	1966 dark bay or brown filly	Cedar Brook	Miss Macaw	
Quest For Gold	1966 chestnut filly	Gold Key	Quest D'Or	
Trick Role	1966 chestnut filly	Roulade	Game Trick	
Miss Lan Boss	1966 brown filly	Nalanda	Boss' Daughter	
Elta Doge	1966 bay filly	Orleans Doge	Two Eltas	
Orleanita	1966 dark bay filly	Orleans Doge	Arianita	
Docey Doge	1966 chestnut filly	Orleans Doge	Phar Star	
Hill Sue	1964 dark bay or brown filly	Hillsborough	Super Sue	
Gem Belle	1965 black filly	Royal Gem II	Armabelle	
Maiden Hills	1965 dark bay or brown filly	Big Joy	Bonnie Hill	
Star Phar	1963 dark bay or brown colt	Pharamar	Feather Star	
Remavina	1964 bay mare	Rejected Marvina K		
Lowade	1967 bay filly	Roulade	Low Gravity	
Iron Light	1964 bay filly	Footlights Ironstone		
	1967 black filly	Beaseem	Auntie Bell	
Count Sash	1967 bay colt	Count Flame	Sash	
Bernashee	1967 grey filly	Burnburgoo	She Will Win	
Cool Acceleration	1967 grey filly	Cool Cardy	Acceleration	
Roul Roman	1966 bay gelding	Roulade	Roman Ramar	
Linu	1966 dark bay or brown gelding	Babu	Lina II	
Ordeal Doge	1966 chestnut gelding	Orleans Doge	Ironstone	
Money Doge	1966 dark bay or brown filly	Orleans Doge	Pass Money	
Red Dust	1964 bay gelding	Noureddin	Dusty Priam	
Free Doge	1966 bay colt	Orleans Doge	Feeling Free	
Orleans Tess	1966 bay colt	Orleans Doge	Tessie	
Priam Doge	1966 chestnut colt	Orleans Doge	Dusty Priam	
Ye Old Son	1966 bay colt	Swoon's Son	Merry Ol England	
Am Swift	1966 bay colt	Ambiorix	Swiftiry	
Roul Route	1966 bay colt	Roulade	Route Two	
Sun Doge	1966 bay colt	Orleans Doge	Sun Bingo	
Moon Bars	1966 bay colt	Roulade	Lassie Bars	
	1967 bay colt	Orleans Doge	Trencheria	
Ten Leafs	1967 bay filly	Tenacious	Loose Leaf	
	1967 roan Colt	Hillsdale	Ben Alligin	
Queen's Light	1967 bay filly	Top Light	Israeli Queen	

RACE HORSES - CONT'D

NAME	DESCRIPTION	SIRE	DAM	LOCATION
Phantiss	1967 bay filly	Grey Phantom	Mary's Pleasure	
My Honey Hash	1967 bay filly	Garbutola Go	Hashette	
Laurelad	1967 bay colt	Roulade	Spring Laurel	
Dogetan	1967 bay colt	Orleans Doge	Gulistan	
Orleans Star	1967 bay filly	Orleans Doge	Phar Star	
	1967 bay colt	Court Martial	Willow Strand	
Tricky Games	1967 chestnut filly	Orleans Doge	Game Trick	
Lassie Bars	1958 dun mare	Sugar Bars	Midnight Lassie	
Miss Betsy Bars	1964 dun filly	Top Deck	Lassie Bars	
Celtic Play	1950 bay mare	Shannon II	O-Play	
Trinchera	1954 chestnut mare	Frank's Pal	Mellotune	
Two Eltas	1950 bay mare	Andy Jubilate	Wanda d'Or	
Smacker	1954 bay mare	Court Martial	Flapper	
Minnewanka	1953 chestnut mare	Solidarity	Margaret Reigh	
Ironstone	1954 chestnut mare	Heelfly	Cora S.	
Heart's Desire	1954 chestnut mare	Mr. Busher	Opera Bouffe	
Twin Hills	1950 chestnut mare	Bold Venture	Handful	
Miss Macaw	1954 bay mare	Cuantos	Cue Mac	
Lucky Tune	1951 chestnut mare	Papa Redbird	Mary's Dell	
Escalated Route	1965 chestnut filly	Escalation King	Route Two	
Larks Reward	1965 dark bay or brown filly	Prince Blessed	Long Ears	
Indiscreet	1964 bay filly	Tom Fool	Rash Action	
Robie J. C.	1964 chestnut gelding	Prince of Paris	Blenzie	
What's Your Hurry	1965 chestnut gelding	Federal Hill	Lotsie	
Joe Di Rosa	1961 horse (entire)	Graphic	Lillu Valenti	
My Shining Luck	1966 grey filly	Sherluck	Shining Day	
Roulade	1957 bay stallion	Royal Note	Dusher's Gal	
Summer Rose	1960 bay mare	Summer Tan	Woodford Rose	
Pine Rose	1957 chestnut mare	Depth Charge	Warda	
	1968 bay filly	Narushua	Gulistan	
	1968 bay colt	Orleans Doge	Dorothy M.	
	1968 chestnut filly	Orleans Doge	Kentucky News	
	1968 chestnut colt	Narushua	Money Market	
	1968 chestnut colt	Mecom Blue	Ironstone	
	1968 chestnut colt	Narushua	Tessie	
	1968 black colt	Mecom Blue	Besbet	
	1968 chestnut colt	Run and Rule	Minnewanka	
	196' bay filly	Narushua	Miss Lola Lex	
	196[illegible] chestnut filly	Narushua	Dusty Priam	
	1968 chestnut colt	Narushua	Mamma's Rullah	
	1968 bay filly	Mecom Blue	Hidden Charm	
	1958 chestnut colt	First Landing	Acceleration	
	1968 bay filly	Lake Erie	Hot Momma	
	1968 bay colt	Ambiorix	Sash	
	1968 black colt	Mecom Blue	Lucky Please	
	1968 bay filly	Mecom Blue	Barb's Alice	
	1968 bay filly	Orleans Doge	Carol Joe	
Knowledgeable	1964 grey filly	Sage of Alief or Attention Mark	Dee My Darlin'	
Princess Mama	1965 brown filly	Hill Prince	Mama's Rullah	
Parksdale	1966 bay colt	Hillsdale	Bushey Park II	
	1968 chestnut colt	Narushua	Game Trick	
	1968 bay filly	Narushua	High Gravity	
	1968 bay filly	Narushua	Land of Light	

RACE HORSES - CONT'D

NAME	DESCRIPTION	SIRE	DAM	LOCATION
	1968 dun colt	Roulade	Lassie Bars	
	1968 bay colt	Slam Bang	Pamela II	
	1968 chestnut colt	Narushua	Phar Star	
	1968 chestnut filly	Nashua Blue	She Will Win	
	1968 bay filly	Narushua	Blind Royalty	
Able Rosie	1965 bay filly	Citation	Sister Louise	
Sheltered Life	1963 bay mare	Helioscope	Rub-Adub-Dub	
Spring Flower	1962 chestnut mare	Victory Morn	Stubborn Miss	
Easter Greeting	1962 bay mare	Nasco	Easter Card	
That's Hew	1963 chestnut mare	Traffic Judge	Poule D'Eau	
Volitant Miss	1960 brown mare	Imbros	Fusilade	
Regal Rae	1965 chestnut mare	Royal Coinage	Belle Busher	
Star Passion	1963 chestnut mare	Northern Star	Compassion	
Boyarsky	1964 bay colt	Fleet Nasrullah	Siga	
	1968 bay filly	Ambiorix	Latin Mermaid	
	1968 chestnut filly	Narushua	Loose Leaf	
	1968 bay filly	Narushua	Middle Joy	
	1968 bay filly	Orleans Doge	Sea Fan	
	1968 chestnut colt	Bwana Tim	Trust Mine	
	1968 bay filly	Bwana Tim	Up Top	
	1968 chestnut filly	Kid Meyers	Pine Rose	
	1968 bay colt	Double Double	All That's Nice	
	1968 bay colt	Mystic II	Aspe Heath	
	1968 bay colt	Narushua	Bonita Cuidad	
	1968 bay filly	Ambiorix	Condamine	
	1968 bay filly	Narushua	Dark Shade	
	1968 bay colt	Top Light	Israeli Queen	
	1968 bay filly	Royal Living	Kristi K	
	1967 bay gelding	Garbatula Go	Trinchera	
Spinach	1962 bay mare	Count of Honor	Miss Citation	
Roman House	1965 dark bay/brn. colt	Battle Joined	Bit O'Mama	
Count Sash	1967 bay gelding	Count Flame	Sash	
Priam Doge	1966 chestnut gelding	Orleans Doge	Dusty Priam	
Jaconee	1964 bay mare	Royal Lenee	Jaconet	
	1968 chestnut colt	Narushua	Low Gravity	
Erian	1956 bay mare	Errard	Appian	
Roseblen	1954 chestnut mare	Blenheim II	Rose Fern	
Swerve	1960 grey stallion	Turn-To	Key Note	

CATTLE IN COLORADO
ON MECOM RANCH

882 Cows, 3 to 8 years old, $270.00 each
150 Heifers, $240.00 each
34 Bulls , $400.00 each
200 Mixed Calves , $120.00 each

(Above are mixed Brangus and Angus)

FOREIGN ASSETS

In Singapore

Drilling Equipment, derrick skid assemblies, blow out preventers, and Rig Nos. 20, 2, 3, 101, and miscellaneous spare parts

6 Kenworth diesels

4 Landrovers

6 Dodge Power Wagon

Grader Loader

Vauxal Victor Estate

FOREIGN ASSETS

In Jordan

Most of the assets in Jordan were burned and bombed prior to the filing of this proceeding, and presently consist of the remains of warehouse stock and drilling equipment, and Rigs Nos. 1, 103, 60.

One 1964 Buick Riviera

One 1964 Buick Wildcat

Miscellaneous office furniture and fixtures

FOREIGN ASSETS

In Columbia, South America

Drilling equipment consisting of Rig Nos. L119 and L350.

Automobiles and Trucks

1951 International Truck

1955 Dodge Power Wagon

1958 Chevrolet Truck

Dodge Power Wagon

1949 Hobbs Trailer

1949 Dodge Express

Furniture and fixtures

Radio Equipment

1950 Nabors Trailer

1939 White

1954 International

1954 International

Nabors Trailer

JEWELRY

RINGS

Ladies ring containing square topaz weighing about 125 cts., set in 14K yellow gold hand made mounting

Ladies oblong ring, topaz weighing about 22 cts., set in hand made 14K yellow gold mounting

Ladies platinum hand made cocktail ring containing 23 round diamonds and 16 baguette shaped blue sapphires

Ladies star sapphire ring, containing gem dark blue star sapphire weighing 29.42 cts., with two trapeze shape diamonds weighing about 1.50 cts., set in platinum

One Ladies 14K gold, diamond and amythest ring, one amythest weighing approx. 70 cts., 46 diamonds weighing approx. 3 cts.

One Gents gold diamond star sapphire ring, approx. 23 cts., light in color, 2 baguette diamonds on sides, Gypsy type mounting

One platinum diamond dinner ring approx. 7½ cts., pear shaped diamond in center, heavy, slightly off make, cape colored, 11 baguette diamonds around edge, 14 small round cut diamonds on shank

Cocktail ring set with 26 diamonds "S" shape, fourteen KT, yellow gold, diamonds set in white gold

One Ladies yellow gold ring containing one blue sapphire encircled by 21 diamonds set in white gold

Ladies platinum diamond ring containing two diamonds weighing about 9 cts., each, with 14 baguettes

Ladies platinum diamond and pearl ring containing one large pearl, one diamond weighing about three cts., with 6 marquise, 16 baguettes, and two tapered baguettes

Ladies 14K yellow gold ring containing one topaz and 6 diamonds

Fourteen kt. white gold ring containing star sapphire weighing about eight cts., with 4 diamonds. This is a ladies ring

Ladies 14K white gold ring containing one blue star sapphire and one gray star sapphire, each star weighing about 5 cts., with two diamonds

One Man's diamond ring, center diamond weighing about 4.25 cts., with four full cut diamonds in the mounting set in 14K yellow gold florentine finish mounting

One Ladies diamond ring, center diamond weighs about 13 cts., set in platinum mounting with one baguette diamond on each side

One Ladies pearl and diamond ring containing thirty-two diamonds weighing about 0.50 cts. each (full cut diamonds) and one 9 MM pearl set in 14K white gold

One ladies platinum diamond ring center heart shape diamond weighing three cts., with one tapered baguette on each side

One Ladies platinum and diamond and blue sapphire ring containing 32 diamonds and 64 blue sapphires

JEWELRY - CONT'D

RINGS - CONT'D

One Ladies 14K yellow gold diamond cocktail ring containing 64 round diamonds weighing 0.05 pts. each

Ladies platinum diamond wedding band containing 24 marquise diamonds 38 baguettes diamonds, total approx. wt. 4.00 cts.

Ladies platinum diamond twist ring containing one P/S ruby weighing approx. 6.25 cts., 26 baguettes weighing approx. 2.50 cts. and one P/S diamond weighing 2.80 cts.

One Ladies diamond ring, 19 cts., baguette on each side

Same as item above and estimated insurable value

Ladies platinum diamond pear shaped ring, pear shaped diamond weighing 29.69 cts., perfect, fine white, modern cut, two tapered baguettes weighing 1.50 cts.

One ladies diamond ring containing 1 center diamond weighing three cts., set in a platinum mounting with a tapered baguette on either side

One South Seas pearl ring with diamonds (Lannie)

One Ladies 18K yellow gold rope finish Opal and diamond ring containing one Opal and 30 diamonds (Lannie)

LADIES WATCHES

One platinum diamond Hamilton covered case watch, one marquise diamond on cover and 6 baguette diamonds, 160 small round cut diamonds in cover and band

One Ladies yellow gold watch set with diamonds and blue sapphires with six rows of gold rope for bracelet containing 12 blue sapphires and 12 diamonds around the top, 17 jewel Hamilton movement

14K yellow gold covered watch with pearls and diamonds initials on top six rows of gold rope chain comprising the bracelet

Watch purchased from Mendelsohn Bros. 47 West 47th St., N.Y.

One Ladies platinum covered watch containing two baguettes on the cover weighing 2.47 cts., twenty-six baguettes on the shoulders and bars weighing 1.39 cts., one pear shaped diamond weighing 0.81 cts. and ninety-one full cut A Quality diamonds weighing 2.79 cts.

One Ladies platinum diamond Rolex watch and matching platinum diamond bracelet, watch contains 22 full cut diamonds weighing about 0.04 each, 2 full cut diamonds weighing about 0.10 each and 6 marquise diamonds weighing about 0.18 each, bracelet band contains 46 diamonds weighing about 2.00 cts.

One Ladies platinum diamond Hamilton watch, 22 jewel movement watch contains one pear shaped diamond weighing about 0.60 cts., 14 round diamonds weighing about 0.12 cts., each, 4 diamonds, weighing about 0.02 cts. each, one diamond weighing about 0.03 cts., 30 round diamonds, weighing from 0.02 to 0.05 cts., each, and 33 baguette diamonds the matching band consists of 14 marquise diamonds and 95 small full cut round diamonds, (was Mr. Mecom's Mothers - now Lannie's)

JEWELRY-CONT'D

WATCHES (MR. MECOM'S)

Gent's 18K yellow gold Audemars Piguet watch and band, 17 jewel movement No. 55782, case No. 214, band No. 229482

Gent's 18K yellow gold Gubelin watch and band, 25 jewel automatic case No. 145743

Gent's 18K yellow gold Audemars Piguet watch 21 jewel, case No. 4623, with 14K yellow gold band

Gent's 14K yellow gold Post watch, 17 jewel 8 3/4 movement, case No. C29714, cut-out initials J. W. M., with suede band

Gent's 14K yellow gold Gruen watch, 17 jewel movement No. 2-148384, case No. 71878, leather strap

Gent's 14K white gold Longines watch, 17 jewel movement No. 9397216, case No. 291772175, black suede strap

Gent's yellow gold Lucerene watch, Camy movement, 17 jewel stainless steel back, leather strap

Gent's yellow gold Gubelin watch, 18 jewels movement No. 51765, case No. 51765, black suede strap

One Gent's 18K white gold Longines watch "Chancellor" model, movement No. 8541953, 17 jewel

One Gent's Audemars Piguet watch, case No. 401, 14K yellow gold, Gubelin model

One Gent's Rolex wrist watch and bracelet to match, Calendar model, movement No. G4338, case No. 6075

One Gent's 18K gold Audemars Piguet wrist watch, model No. 5111, movement No. 61448, case No. 4625, 21 jewel automatic

BRACELETS

One platinum diamond bracelet 9 small emerald cut diamonds, 30 baguette diamonds, 230 small round diamonds, bracelet linked step design on edges

One Ladies 14K solid gold bracelet, 250, with five large charms 115, each charm has one diamond

Ladies 14K yellow gold bracelet with five charms yellow gold topaz attached, 14K bracelet 150, each charm about 250, total replacement value of complete bracelet $1,400.00

One 14K yellow gold bracelet with Angus Bull Charm

14K yellow gold and pearl stiff bracelet (bangle), white gold top, containing 7 cultured pearls, 29 diamonds

Two charm bracelets with small 14K charms in each bracelet. Charms consisting of 1 Oil Derrick, 1 Photo Locket, 1 Dog, 1 Rockbit, 1 Turtle, 1 Birthstone, 1 Rabbit, 1 Shoe, 3 Blink Mice, 1 Birthstone, Turtle, Dancers Charm and Piano on each Bracelet: 225. each bracelet

JEWELRY - CONT'D

BRACELETS - CONT'D

Two 14K yellow gold Bracelets consisting of 11 charms strung on chain, each bracelet $400.00

Two 14K yellow gold Bracelets consisting of 3 gold coin charms and 11 foreign charms, each bracelet $300.00

This bracelet contains the following: One emerald cut diamond weighing about 3½ cts., two emerald cut diamonds weighing about 2½ cts., two emerald cut diamonds weighing about 1½ cts., 154 baguette diamonds weighing about 1[illegible] cts., 156 round diamonds weighing about 16 cts. This bracelet is platinum and hand made. All the diamonds are blue white and clean

One ladies platinum diamond and sapphire bracelet containing 90 sapphires and 196 baguettes diamonds

One ladies 14K yellow gold and blue enamel, diamond crown bangle bracelet (Lannie)

One 18 karat Platinum enamel diamond strawberry bracelet, 7 strawberries, 249 diamonds 11.89 carats

NECKLACES

One yellow gold antique necklace, heavy weave with diamond attachment 41 approx. 2 pts. to 8 pts. diamonds, mine cut, cape color, 1 approx. ¾ mine cut diamond in center, cape color, attachment is heartshaped with large diamond in center, smaller diamonds encrusted around center

One diamond platinum necklace set with twelve diamonds weighing about twenty cts. and 967 small diamonds and 90 baguette diamonds

Platinum cross and chain, set with 22 square sapphires

Ladies gold necklace consisting of five strands of gold rope chain with four rows of diamonds across the chains, [illegible] diamonds in each row, total of 28 diamonds

Two initial pendant necklaces, platinum, 17 diamonds in one initial and 14 diamonds in the other 150 each necklace

One necklace consisting of four strands graduated pearls with diamond and pearl clasp containing fifty-one diamonds and eighteen pearls set in 14K white gold

One ladies fourteen K white gold diamond pendant necklace containing one diamond weighing about 2¾ cts.

Straight row diamond necklace, platinum

Double flumes of marquises and pear shaped diamonds flow through baguette diamond estuaries and emerge as tripel torrents of scintillating brilliance, the foregoing described a diamond necklace valued at $91,800.00

One ladies platinum and diamond tapered necklace, diamonds taper in size all around with prong setting (Lannie)

One platinum cross with 14K white gold chain, 16 diamonds in cross partial item only

One Ladies 14K yellow gold diamond necklace containing a diamond center with 142 diamonds weighing about 8 cts., and a narrow yellow gold rope edge on either side of diamonds (Lannie)

JEWELRY - CONT'D

CUFF LINKS

One pair platinum star sapphire cuff links, 4 star sapphires approx. 2½ cts. in size

One pair star sapphire cuff links, 14K yellow gold

One pair cuff links, white and yellow gold, each link has 6 diamonds weighing about 0.07 each

One stud set, platinum, each cuff link contains diamond weighing about 0.75 cts. and each stud has diamond weighing about 0.25 ct. each, this is a five piece set

One pair 14 Kt. yellow gold steer head cuff links, each link containing one tapered baguette and 14 round diamonds

One pair 14 Kt. white gold cuff links, each link containing 20 diamonds and 14 blue sapphires

One pair diamond cuff links

One pair Gent's cuff links containing diamonds and sapphires - steer heads with sapphire backs

One 14K yellow gold stud set with cultured pearls

One pair of Gents Diamond and Sapphire cuff links - each link containing six square sapphires, and six square cut diamonds set in platinum

EARRINGS

One pair topaz earrings, each earring containing topaz weighing about 12 cts. set in 14K yellow gold hand-made mounting

One pair 14K yellow gold antique earrings, each earring containing 1 keystone shaped diamond weighing about 1 ct., 1 pear shape diamond weighing about 90 and 24 round diamonds, with Angel Cameo

One pair platinum earrings, each earring containing 1 pear shape diamond weighing about 1 ct. one baguette diamond and 44 round diamonds

One pair of iron, pearl and diamonds ear clips

One platinum diamond earring to match necklace, containing 1 pear shape diamond weighing about 2½ cts., 1 round diamond weighing about ¾ cts. 28 baguette diamonds

One pair Ladies platinum and diamond earrings containing fourteen pear shaped diamonds weighing 16.27 cts. and two pear shaped diamonds (in drop design) weighing 7.04 cts.

One pair Ladies Diamond and 18k yellow gold Rope Design earrings, each earring containing thirty diamonds.

One pair 18 karat platinum diamond cherry earrings, containing 100 diamonds 3.95 carats.

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JEWELRY - CONT'D

BROOCHES AND PINS

Platinum diamond brooch, 24 pear shaped diamonds, wt. 7.50 cts., 49 baguettes, wt. 2.49 cts., 32 brilliants wt. 2.40 cts.

Two small gold pins, each pin $22.

Two medium gold pins, $27.50 each

One ladies platinum diamond heart shape pin containing 1 canary diamond weighing approx. 7 cts., 2 heart shape diamonds weighing about 1½ cts. each, and 16 round diamonds weighing about 0.65 pts. each

One 18K. and platinum diamond pin

One ladies 18K yellow gold Dog pin, in florentine finish with diamond collar and ruby nose and eyes. (Lannie)

FURS

One natural blue iris mink coat

One white mink cape stole

One ranch mink cape stole

One sapphire beaver coat

One natural ranch mink coat

One natural Breath of Spring Cerulean mink stole

One dyed white beaver coat, ranch mink trimmed

One ten skin tipped dyed Russian sable scarf

One natural Diadem mink stole

One black dyed Russian sable stole

One natural ranch mink jacket

One black dyed broadtail processed lamp pancho

One natural ranch mink coat

One dyed black broadtail processed lamb jacket origin Argentina

One tip dyed Russian sable capelet origin Russia

JEWELRY - CONT'D

SILVERWARE

170 pieces of Francis First Sterling flatware

96 pieces of Francis First Sterling Silverware

CAMERAS

One Cambinox camera

MOVABLE ASSETS
LOCATED AT WARWICK HOTEL IN
HOUSTON, TEXAS

North Lobby

Four Louis XVI chairs, antique @ $500. each
One Louis XVI chair matching four above, antique
One Winterhather revolving clock, Louis XV (1740)
One Lead painted statue on back table
One Corner cabinet
One Vase on top of corner cabinet (Neptune)
One Pair Ormalu angel candelabra (9 candles) in front of Aubusson Tapestry
One French metal shell urn with fish pedestal
One Aubusson tapestry (also section over spiral staircase leading to basement)

East Corridor

One White stone statue (Bedouin with rifle)
One Greek mythology statue with nude riding back
One Pair Satsuma Large Urns - -5'2" high
One Pair scalloped marble top console tables with carved foundations of flowers, etc.
One Louis XV bench, Beauvais petit point seat and vertical sides
One Louis XV Beauvais petit point settee (angel and dogs)

Princess and Imperial Suites Corridor

One French inlaid planter, carved legs, 42" x 18"
One Antique mirror gold leaf frame
One 50" Louis XV marble top ormalu console
One Jean Batiste Robis oil, Belgian (1821-1910)
One Thomas Armstrong brothers grandfather clock

South Lobby

One French antique desk, Early 18th Century, ormalu trim
Two Cane reproduction chairs with desk, covered with imported French velvet
One Sevres urn between Cafe Vienna and Hunt Room
One Quan Yen statue (1593) Spiral staircase
One Statue "EN Champagne," on table
Two Brass 5'6" andirons
One Brass ornamental sand urn with black wooden base (at front desk)

South Lobby Entrance Corridor to Ballroom

One Blue urn and two blue Sevres vases
Four Statutes (four seasons)
Two 6" benches, petit point on roses
One Marble column pedestal (with Houdon bust on it)

Imperial Suite

One Oil Painting, Napoleon II (Winterhalther)
One Table, Louis XV, Early 18th Century (under Napoleon painting)

A984

A 984

MOVABLE ASSETS AT WARWICK HOTEL - CONT'D

Hunt Room

One Gladiator bust with marble pedestal
Metal sconces holding Joan of Arc statue and "Sweet Cherubs"
Four Sconces and two deer heads and two boar heads
Two Hunting Horn chandeliers
One Statue with fish over shoulder

Cafe Vienna

One Brass lave bowl and catch basin with artificial fruit
One Porcelain statue of cherub with grapes mounted on wooden sconce
One Porcelain square urn with shell motif
One Austrian Franciene Stove

Basement

One Prince Noir metal statue and base
One Maximillian Statue and base

Pool Terrace

One 5' White marble nude, "Bathing Girl" (Allegrain), mounted on black green marble 3' pedestal

One 4' White marble reclining nude, "The Sun Bath" (Prof. Pietro Coccarelli, mounted on 2-½' black-green marble pedestal

Club Entrance

One Footed wall table, black and gold with white marble top, 9' long
One 1913 tapestry by Gherer, 6' x 10'
One Oriental standing lady holding 8 candle cluster by E. Guillemin
One Oriental standing lady holding 8 candle cluster by E. Guillemin (1873)
One Antique mirror framed in gold carved frame and etched glass matting (approx. 36" x 60")
One Antique wall table Louis XVI with carved rose garland draped legs motif with marble top, 40" long

Club Area

One Silver and gold washed metal bust of lady
One Mobile Silver Roast Beef Cart
One Silver and gold washed metal bust of lady
One Duck Press
One 26" white marble bust of young man with feathered hat & strap across his chest
Two Metal sand urns (at glass elevator)
One 26" white marble bust of young lady with plaited hair & beads around her neck

Front Desk

One Bronze greyhound by Woogen
One Clock, Roman Gladiator with shield, on black marble base
One 24" high Brass sand urn, Chinese Dragon-Old man on side, water bird on other side

Front Entrance

One 5'6" Bronze nude fountain standing on dolphin base, with conch shell in hand
Two (or one pair) 6' white marble statues of ladies holding gilded bundle of flowers - flowers electrified - statues on oval grey marble base with metal gilded wreath as part of base

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MOVABLE ASSETS AT
WARWICK HOTEL - CONT'D

Main Street Entrance

One 43" high white marble statue of nude sitting on 3' oval carved flower covered mound placed upon carved marble base 36½" high, 38" long x 29" wide
One 60" white marble standing nude with right hand on raised left leg which has an asp coiled around ankle. Labeled EURYDICE. Mounted on grey marble base 30" x 30" x 22" high

Guest Floor Corridors

Two Chinese, shaped two-drawer Consoles, 33" wide, 16½" deep, 34½" high, carved and painted outdoor temple scenses on the side, ornamental brass pulls, dock scutcheons and front leg trim (10th Floor)

Ladies' Lounge - Club

One Bronze Egyptian Statue, 26" with Alligator at Base
"A. Carrier Boy"
One Bronze Classic Figure with Dolphin at Base, [illegible]
"A. Carrier Boy"
One Bronze Classic Figure with Lion at Base, 26"
"A. Carrier Boy"
One Bronze Classic Figure with Wolf Skin Robe, Turtle at Base, 28"
"A. Carrier Boy"

Presidential Suite

One Antique Brass Fireplace Guard with Urn Decor
One Antique Fireplace Screen (Brass)
Two Consoles, Gold and Brushed Blue with Marble Tops
One Antique Curio Cabinet (2 pieces), Bronze Ormalu, 3-Shelf Glass top, Gallery top, 1-Drawer base
One Hand-Carved Arm Desk Chair
One Ceramiche Compote (Italian), White and Gold
One Pr. Ceramiche Urns (Italian), White and Gold
One Pr. Sevres Blue Handpainted Vases - 26½" high
One Bronze Statue, Lady on Goat, 15"
One French Handcarved Desk, 51" x 30"
One Antique Humidore, Wood with Bronze Ormolu, Paceline Medallion Insets
Two Bronze Antique Oil Lamps, Base Height, 18", with winged Cherubs on Front
One Handcarved Antique Settee, Gold Leaf Frame, Louis XVI, with Beauvais Petit Point Back and Seat
Four Handcarved Antique Chairs, Gold Leaf Frame, Louis XVI, with Beauvais Petit Point Backs and Seats
One Mahogany Lamp Table, Bronze Ormolu with Inlaid Top Tray, Height, 26½", Length, 21", Width, 16"
Two Oil Pastoreal Paintings by A.A. Glendening, Gold Frames, 26" x 17"
One John Weight Oakes Oil Painting - English 1820-1827, Gold Frame, 28" x 20"
One Oil Portrait of Mrs. Macom by T.A. Devenish, Frame, Carved Gold Leaf with Greywash, Size 48" x 28"
Four Antique Bronze French Sconces, Jester's Heads with Grapes

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MOVABLE ASSETS AT WARWICK HOTEL - CONT'D

Living Room

One Louis XVI Handcarved Antique Sofa, Blue and White Cut Velvet upholstery, Reece B. Davis Fabric
Six Matching Louis XVI Handcarved Antique chairs, Blue and White Cut Velvet Upholstery
Twelve Louis XV Antique Cane Dining Room Chairs
One Coffee Table, Two-Tiered Bronze Ormolu, 36" x 24"
One Lamp Table with 25" diameter Marble Top, Ormolu Trim
One Pr. Lamps, Urn Shape, Bronze, Black Base, 20½" High
One Antique Marble Top Round Table, 34" diameter, Carved Apron and Legs, Height 28"
One Florentine Mosaic Coffee Table, 59" x 42"
One Antique Baccarat Chandelier, Large Prisms with 12 candles and Hurricane Shades over Candles, Approx. 44" diameter
Three Boheme Birds, one Cardinal, one 3-pairs Robins, one Female Red Bird
Two Boughs with Blue Birds, 5 to a Bough
One Silver Leaf Bowl, Approx. 14" diameter
One pair Silver Fighting Cocks
One pr. Bournassou Handpainted Vases, 10" high, 6½" diameter
One Three-Tiered Serving Table, Bronze Ormolu, four Cherubs holding top tier, 35½" x 20", Height, 36"
One pr. Onyx Urns with Bronze Ormolu with Ram Motif and Garlands
One Sterling Bowl, Flower Trim, made in Peru, #325 Camusso
One Three-panel Gold Leaf Handpainted on Canvas French Screen, two figures with sheep, center panel, two side panels with pink roses
One 36" Diameter Lamp Table, Bronze Ormolu, 2-Tiered, Height 30"
One Two-Tiered Lamp Table, Gallery Top, 17½" Dia., Height 29½"

Master Bedroom

One Mirror, Gilt Frame with Mirror Inlay and Rococo
One Headboard, 6/6, with Gold Leaf and Handpainted, Upholstered Back
One Florentine Mosaic Oval Coffee Table, 43½" x 33½" Oval
One French Bisque Figure of Lady, 19"High
One French Antique Chandelier with Amber, Amethyst, and Crystal Fruit Drops
One French Antique Highback Chair with Carved Arms and Legs, Rose Velvet Upholstery

Main Lobby

One Console, 15", with Black Marble Top and Carved Legs, 40" High (At Aubusson Tapestry)
One Console, 7", with Black Marble Top, 33" High, 19" Deep, with Carved Wooden Legs (North Lobby)
One Console, 10", 8", with Beighe Marble Top and Carved Wooden Legs, 2", 10" high, 2", 2" wide (Ballroom Corridor)
Two Chandeliers at $4,000.00 each

Entry Hall - 12th Floor

One Marble Bust - Lady with Shawl over Head, 14" High, 15" over all with base
One Bubel Cabinet with Ormolu Trim, White Marble Top, 33" wide x 15" deep x 42" high

ADDITIONAL OBJECTS OF ART

Additional Personal Objects of Art are located at the residence of debtors at Lazy Lane, Houston, Texas, and at the Mecom Building, at 1500 Gray Street, Houston, Texas

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BANK ACCOUNTS

Bank	Acct #	Name
First State Bank P.O. Box 104 Hitchcock, Texas 77563	140-061	John W. Mecom, Regular
First State Bank P.O. Box 104 Hitchcock, Texas 77563	148-171	John W. Mecom, Horse Acct.
Louisiana Nat'l Bank P.O. Box 1511 Baton Rouge, Louisiana 70821	2032-422	John W. Mecom
Houston Bank & Trust Co. P.O. Box 2555 Houston, Texas 77001	08-9367	John W. Mecom
Texas Nat'l Bank of Commerce P.O. Box 2558 Houston, Texas 77001	682-9527	John W. Mecom, Personal

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IN THE UNITED STATES DISTRICT COURT

FOR THE WESTERN DISTRICT OF LOUISIANA

IN THE MATTER

OF

JOHN W. MECOM, SR. &
MARY ELIZABETH MECOM
Debtors

NO: 24,214 IN A PROCEEDING FOR AN ARRANGEMENT

ORDER

On considering the inventory of assets submitted by the Co-Receivers herein, and their statement attached to the effect that the preliminary inventory of the assets of the estate was taken from the books and records of the debtors without physical inspection:

LET THE INVENTORY ATTACHED be filed and said Co-Receivers, IKE HOSKINS and WILLIAM C. SANDOZ, be and they are hereby allowed the privilege of supplementing, amending and altering the preliminary inventory after they have completed an actual physical inventory of debtors' assets.

Shreveport, Louisiana, this 8th day of the month of February, 1971.

REFEREE IN BANKRUPTCY

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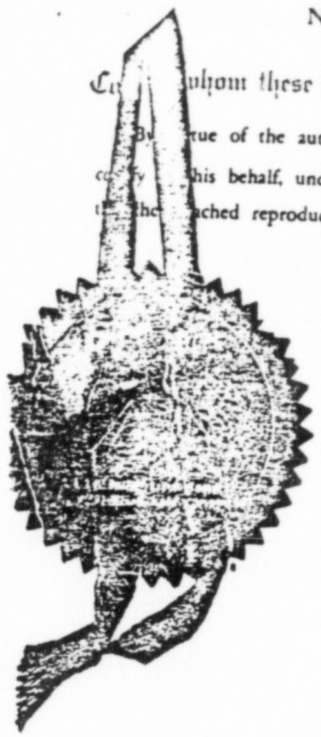
GENERAL SERVICES ADMINISTRATION
National Archives and Records Service

To [illegible] whom these presents shall come, Greeting:

[illegible] true of the authority vested in me by the Administrator of General Services, I [illegible] his behalf, under the seal of the United States General Services Administration, that the [illegible]ached reproduction(s) is a true and correct copy of documents in his custody.



SIGNATURE Donald W. Tripp

NAME Donald W. Tripp DATE 5-18-76

TITLE Director

NAME AND ADDRESS OF DEPOSITORY
FEDERAL ARCHIVES AND RECORDS CENTER
P. O. BOX 6216
FORT WORTH, TEXAS 76115

GSA FORM APR 66 6791E

EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.

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U. S. DISTRICT COURT
WESTERN DISTRICT OF LOUISIANA
FILED
FEB 12 1971
ALTON L. CURTIS, CLERK
BY: Deputy

UNITED STATES DISTRICT COURT

WESTERN DISTRICT OF LOUISIANA

LAKE CHARLES DIVISION

IN THE MATTER OF	:	IN PROCEEDINGS FOR
67-01-4963 JOHN W. MECOM, SR. and his wife	:	AN ARRANGEMENT
MARY ELIZABETH MECOM, 155-78-7311	:	NO. 24,214; SECTION _____
DEBTORS	:	

TO THE HONORABLE, LEROY SMALLENBERGER, REFEREE IN BANKRUPTCY:

JOHN W. MECOM, SR. and his wife, MARY ELIZABETH MECOM, debtors in these proceedings, with respect, represent that:

1. Previously petitioners have filed a brief summary of assets and liabilities with leave of Court to later file complete schedules as contemplated by the bankruptcy act and standing orders.

2. Attached hereto are the detailed schedules as contemplated.

3. In some instances the schedules could not be said to show the true current value of the assets. As can be seen from the schedules, the items of the assets are greatly diversified in nature, wide spread in location and not under the personal control of petitioners.

4. The schedules have been noted in many instances as to the basis for the values placed on the items. The most representative figure available has been placed on each item of the assets. Unfortunately, in some instances petitioners have not

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been sure of the exact number of assets, nor their exact condition or value at this time.

5. In some instances the only way to place a value on an item was to go to the figure shown on the books of the petitioners. Unfortunately, these books have been set up on computer in such a way that the depreciation is shown as one account, and the computer is not able to give a recap of the depreciation against individual items at any particular time. Therefore, a number of items are shown at original book cost, without depreciation being taken into account.

6. Petitioners understand the Co-Receiver is now in the process of making a physical inventory and appraisal of all of the assets, and trust that the inability to file current values at this time will not be an undue inconvenience to the Court.

By their attorneys,

CAMP, CARMOUCHE, PALMER,
CARWILE & BARSH

BY: Charles Carwile

CHARLES W. CARWILE
4th Floor Pioneer Building
Lake Charles, Louisiana 70601

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SCHEDULE A-1

Statement of all creditors to whom priority is secured by the act.

Claims which have priority	Amount Due
a. Wages due workmen, servants, etc.	
Working at Houston, Texas: Wilda Mouton, Cecile Meyers	
Working at Johnson's Bayou, Louisiana Allen R. Cosse, Albert H. Gale, Agnes Manuel, John H. Pike, Terry A. Reeves.	
Working at Hitchcock, Texas Jesse David	
Working at Singapore Ellis Head	
Working at Weston, Colorado Ronald Bayes, Harvey Duran, Soledad Rico.	
Accrued as of December 3, 1970, but now paid	$ 9,587.66
b. Taxes due and owing to:	
(1) The United States Withholding taxes	$ 1,031.71
F.I.C.A. Taxes	$ 314.19
(2) The State of Louisiana Withholding Taxes	$ 13.49
(3) The States of Louisiana and Texas Ad Valorem taxes	$14,078.98

Petitioner
Mary Elizabeth Mecom

Petitioner
John W. Mecom, Sr.

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SCHEDULE A-2
CREDITORS HOLDING SECURITIES

NAME AND ADDRESS OF CREDITORS	DESCRIPTION OF SECURITIES	WHEN & WHERE CONTRACTED & NATURE OF CONSIDERATION THEREOF	VALUE OF SECURITIES*	AMOUNT DUE OR CLAIMED
J. S. Oil of Louisiana, Inc. 344 St. Charles Ave. New Orleans, Louisiana	Chattel Mortgage on steel quarters boat BLOOMGREN, length 105', breadth 29', depth 10'; steel tug WEST CAMERON, length 60.2', breadth 19.9', depth 7.4', 400 H.P. diesel; Steel tug LA ROSE, length 49.8', breadth 17', depth 6.5', 400 H.P. diesel; Steel tug LAKE WASHINGTON, length 46.9', breadth 18.1', depth 6.6', 440 H.P. diesel; Steel crewboat CAPTAIN CLERC, length 47.1', breadth 14.8', depth 6.8', 920 H.P. diesel; Fiberglas crewboat, TEXAN, length 36.7', breadth 13.5', depth 5.8', 520 H.P. diesel; steel sulphur barge SULPHUR QUEEN, length 335.8', breadth 52.1', depth 29.3'; Derrick barge 140' x 54' x 12' of steel construction, with rig No. 25, National 3410 FEB draw works powered by Ideal Ajax 16" x 16" steam engine, steel boiler barge 100' x 27' x 12', with 5-350 WP/150 H.P. boiler; Rig No. 12 Barge, 257' x 38' x 10.5' steel construction; Steel deck cargo Barge No. 143, 110' x 30' x 7'; Steel deck cargo Barge No. 144, 110' x 30' x 7'; The platform of former Texas Tower No. 3; and miscellaneous steam pumps and boilers	This was a purchase money mortgage made March 4, 1969	$228,835.53	$168,000.00

Thomas Eugene Moore
PETITIONER

John H. Moore
PETITIONER

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SCHEDULE A-2
CREDITORS HOLDING SECURITIES

NAME AND ADDRESS OF CREDITORS	DESCRIPTION OF SECURITIES	WHEN & WHERE CONTRACTED & NATURE OF CONSIDERATION THEREOF	VALUE OF SECURITIES	AMOUNT DUE OR CLAIMED
Dr. Julia Frazier 1918 Sul Ross Houston, Texas 77006	Mortgage on Lot 6 and East 45' of Lot 7, Block 8, Hyde Park Annex, City of Houston	Purchase money mortgage contracted April 15, 1960	11,000.00	2,500.00
Paul Hopkins 1901 Scott Street La Marque, Texas 77568	Pledge of 47 of 100 outstanding hares of Bluewater Dredging Corp.	Debt was contracted in purchase of shares of stock on May 17, 1969	65,800.00	35,240.00
E. C. Scurlock Houston Club Building Houston, Texas	This note is secured by pledge of interest of John W. Mecom in a limited partnership known as North Houston Investments, Ltd.	Debt was contracted for money advanced. Note is dated March 24, 1970.	158,317.00	73,908.67
Israel Proler 7501 Wallisville Road Houston, Texas	A pledge of 1,000 shares of Thermatics, Inc. and 500 shares of Polymer Engineering	This is for an advance of money at Houston, Texas on September 12, 1970	23,060.00	300,000.00
King Resources Denver, Colorado	Interest in north slope leases in Alaska	Cost of interest in leases (See note on this interest on Schedule B-1)	2,609,120.50	2,348,208.45
	TOTALS		$3,096,133.03	$2,927,857.12

PETITIONER

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* THE SECUITY IS VALUED ON THE AMOUNT CARRIED ON THE BOOKS AT COST, WITHOUT DEDUCTION OF DEPRECIATION, RATHER THAN ON BASIS OF A CURRENT APPRAISAL.

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SCHEDULE A-3
CREDITORS WHOSE CLAIMS ARE UNSECURED

NAME & ADDRESS OF CREDITORS	AMOUNT DUE OR CLAIMED
A-1 Rents Route 1, Box 228-X Galveston, Texas 77550	$ 54.21
A & A Machine Shop, Inc. 3101 Texas Avenue LaMarque, Texas	296.67
Acme Electric Service 7520 Dillon Houston, Texas 77017	32.94
Acme Truck Line, Inc. P.O. Box 183 Harvey, La. 70058	220.90
Alamo Express, Inc. P.O. Box 18122 Houston, Texas 77023	4.25
Arthur Anderson & Co. 1700 Bank of The Southwest Bldg. Houston, Texas	16,900.00
American Airlines P.O. Box 7107 Church St. Station New York, N.Y. 10008	186.00
American Petrofina P.O. Box 2159 Dallas, Texas 75221	21.27
Atchison, Topeka & Santa Fe R. R. P.O. Box 1859 Amarillo, Texas 79105	4.89
Atlantic Richfield Company P.O. Box 5285 Chicago, Illinois 60680	25.81
Automatic L. P. Gas, Inc. P.O. Box 511 Alvin, Texas 77511	5.00
Avis Rent A Car System P.O. Box 5117 Dallas, Texas 75222	38.96
B & J Spring Co., Inc. 1615 Bell at Jackson Houston, Texas	10.50

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Page Two
Accounts Payable
To Unsecured Creditors

	Amount Due or Claimed
B & B Factors, Inc. 1800 Austin Street Houston, Texas 77002	20.65
B & W, Incorporated P.O. Box 5266 Houston, Texas 77012	127.68
Baltimore Hilton 101 West Fayette Street Baltimore, Maryland 21201	25.68
Dr. Wm. S. Bartlett P.O. Box 597 Dunedin, Florida 33528	55.00
Battelsteins P.O. Box 1861 Houston, Texas 77001	28.14
Beaird Line Service, Inc. 1701 Gray Houston, Texas 77003	60.03
Becker and Durski Turf Goods 3035 South 4th Street Louisville, Kentucky 40208	193.48
Bedford, Lambdin & Hopkins 601 Moody National Bank Bldg. Galveston, Texas 77550	102.20
Benjy's Florist 2534 Amherst Houston, Texas 77005	113.40
Fred C. Benton P.O. Box 394 Harvey, La.	82.69
Big Chief Truck Lines, Inc. P.O. Box 284 Harvey, La. 77058	600.80
Big Three Industrial Gas & Equipment Co. P.O. Box 3047 Houston, Texas 77001	1,149.61
Blaine & Co. Insurance 1001 Cotton Exchange Bldg. Houston, Texas 77002	10.00
Blakeip Log Service 822½ Gravis Street New Orleans, La. 70100	252.73

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Page Three
Accounts Payable
To Unsecured Creditors

	Amount Due or Claimed
Bland-Willis Cadillac Co. P. O. Box 2147 Houston, Texas 77001	39.97
The Blood Horse P. O. Box 4038 Lexington, Kentucky 40504	45.45
Bonna's Bait Camp Rt. 1, Box 289 Galveston, Texas 77550	10.53
Books, Inc. 2620 Westheimer Houston, Texas 77006	6.20
Branch-Krachy Co., Inc. P. O. Box 1724 Houston, Texas 77001	37.88
Bruce Advertising 500 Jefferson Building Houston, Texas 77002	758.45
Bruce Terminix Co. P. O. Box 66668 Houston, Texas 77006	12.00
Slim Holt Budget Rent A Car P. O. Box 1938 Hilo, Hawaii 96720	23.82
Dr. R. A. Burnham, DVM 4800 Central Avenue Hot Springs, Arkansas 71901	232.00
Wayne Broyles Engineering Corp. P. O. Box 2752 Houston, Texas 77001	399.92
Sam Broussard Trucking Co., Inc. P. O. Box 35 New Iberia, La.	52.80
Caplin & Drysdale 1101 Seventeenth St., N. W. Washington, D. C. 20036	2,583.00
C-Services, Inc. P. O. Box 1500 Houston, Texas 77001	164,782.82
The James A. Clark Co. P. O. Box 6751 Houston, Texas 77005	139.70

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Page Four
Accounts Payable
To Unsecured Creditors

	Amount Due or Claimed
Cliffs Marine Supply 4522 NASA Road #1 Seabrook, Texas	$ 14.56
Cloverleaf Farm House, Inc. P. O. Box 337 Kenner, La. 70062	308.68
Coastal Machine Works 1924 Mechanic Galveston, Texas 77550	169.90
Combined Underwriters, Inc. P. O. Box 4115 Lexington, Kentucky 40504	927.97
Continental Airlines, Inc. P. O. Box 54251 Los Angeles, Calif. 90054	143.68
Cook Paint & Varnish P. O. Box 3088 Houston, Texas 77001	119.51
Cotemp, Inc. 501 East 12th Street Houston, Texas 77008	643.61
A. G. Crawford Drug Co. 108 Ouachita Avenue Hot Springs, Ark. 71901	74.46
Crimson Heat Farm Rt. 1, Box 1236 Kenner, La. 70062	953.00
Dr. Cecil W. Clark Cameron Medical Center Cameron, La. 70631	10.00
Diesel Engine & Fabricating Co., Inc. P. O. Box 9223 Houston, Texas 77011	5,428.73
Dailey Lease Service P. O. Box 112 High Island, Texas 77623	72.00
Tom M. Daniel, D.V.M. P. O. Box 330 Covington, La. 70433	36.00
Dixie Plywood Co. P. O. Box 33315 Houston, Texas 77033	12.83

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Accounts Payable To Unsecured Creditors	Amount Due. or Claimed
Dredge Equipment Co., Inc. 919 Erato St. New Orleans, La. 70130	$ 2,852.50
Dresser Industries, Inc. P.O. Box 34 Houston, Texas 77001	72,160.21
Dunn Equipment, Inc. P.O. Box 810 Galveston, Texas 77550	155.03
Duplantis Truck Lines, Inc. P.O. Box 127 Houma, La.	154.10
Eastern Airlines P.O. Box 20045 New Orleans, La. 70141	137.55
D. C. Eckler 8523 Cayton Houston, Texas 77017	4,164.25
Electrical Service 1223 23rd Street Galveston, Texas 77550	2,054.23
Ernst Insurance Agency 2419 Fannin Houston, Texas 77002	10.00
Dr. Joseph P. Evans P.O. Box 98 West Chester, Pennsylvania 19380	345.00
Electric Supply Co. 2312 Mechanic Galveston, Texas 77550	38.00
Fair Grounds Corp. P.O. Box 52529 New Orleans, La. 70150	630.00
Fidelity Printing Co., Inc. P.O. Box 2622 Houston, Texas 77001	20,728.50
First Liberty National Bank P/R Liberty, Texas	10,895.93

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Page Six
Accounts Payable
To Unsecured Creditors

	Amount Due or Claimed
Ft. Bend Veterinary Clinic P. O. Box 869 Rosenberg, Texas 77471	$ 30.00
Ft. Worth Pipe & Supply P. O. Box 2108 Ft. Worth, Texas 76100	32.04
Foxtole Farm Route #1 Nicholosville, Kentucky 40356	2,843.97
Franks Casing Crew & Rental Tools P. O. Box 51729 Lafayette, La. 70501	580.70
Frenchy Poodle Shop 2718 Ferndale Houston, Texas 77006	30.00
Galveston County Blue Print 628 21st Street Galveston, Texas	1.61
General Supply & Equipment Co. P. O. Box 18306 Houston, Texas 77023	30.76
Georgetown Inn, Inc. 1310 Wisconsin Ave. Washington, D. C. 20007	23.10
Great Southern Life Insurance Co. P. O. Box 1972 Houston, Texas 77001	46.25
Griffin Turf Supplies Fairmont Park Collinsville, Ill.	60.86
G.T.S. Corp. 744 St. Charles Ave. New Orleans, La. 70130	655.50
Gulf Coast Wire Rope, Inc. P. O. Box 1111 Pasedena, Texas 77501	62.55
Gulf Vacuum Service P. O. Box 175 Hig. Island, Texas	2,037.00
Gulfport Shipbuilding Corp. P. O. Box D Port Arthur, Texas 77641	1,579.10

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Page Eight
Accounts Payable
To Unsecured Creditors

	or Claimed
107 Louis N. Hodges Jack Photographer Fair Grounds Race Track New Orleans, La.	$ 12.00
Hogan Allnack Co. P. O. Box 52700 Houston, Texas 77052	382.96
Holtzman, Wise & Shepard 30 Broad Street New York, N. Y. 10004	2,910.69
Hornback's Auto Parts 207 E. Dumble Alvin, Texas	51 50
Hotel Ambassador Hotel 1300 North State Parkway Chicago, Illinois 60610	192.57
Houston Armature Works P. O. Box 9503 Houston, Texas 77011	107.26
Houston Auto Glass Co. 2310 Louisiana Houston, Texas 77006	13.73
Houston Export Crating Co., Inc. P. O. Box 9200 Houston, Texas 77011	32.65
Houston Fire Safety Equipment Co. P. O. Box 9565 Houston, Texas 77011	144.56
Houston Jewelry & Distributing Co. 802 Milam Houston, Texas 77002	3.37
Houston Tribune 4901 Richmond Ave. Houston, Texas 77027	85.26
Houston Trunk Factory 727 Main St. Houston, Texas 77002	.74
Hughes Bros., Inc. 17 Bathery Place New York, N. Y. 10004	154.52
113 Fred J. Hunt 302 22nd Street Galveston, Texas 77550	7.12

PETITIONER

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Page Nine
Accounts Payable
To Unsecured Creditors

	Amount Due or Claimed
116 Henckel Lumber Co., Inc. P. O. Box 147 Hitchcock, Texas	$ 26.61
Humble Oil & Refining Company P. O. Box 1353 Houston, Texas 77001	318.24
Ideal Laundry, Inc. 2635 Ioulousa Street New Orleans, La. 70119	106.59
The Inn Restuarant P. O. Box 600 Dulac, Louisiana	43.26
Kerr-McGee Corp. P. O. Box 25281 Oklahoma City, Okla. 73125	20.95
Keystone Drug Co. 1010 Louisiana Houston, Texas 77002	273.65
Kanpp Lock & Safe Company 2408 Austin St. Houston, Texas 77004	2.00
Koenig Welding Supply Co. P. O. Box 489 Rosenberg, Texas	9.82
L & L Welding Supply Co. P. O. Box 7338 Houston, Texas 77008	228.78
LaBowe Oil Well Service, Inc. P. O. Box 2829 Beaumont, Texas	2,266.25
Laredo Implement Company 509 Market Laredo, Texas 78040	31.29
Laredo Motor Mach, Inc. P. O. Box 1259 Laredo, Texas 78040	110.92
J. W. Lee Company, Inc. 3307 Kirby Drive Houston, Texas	27.50
The Liberty Supply P. O. Box 552 Liberty, Texas 77575	812.69

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Page Ten
Accounts Payable
To Unsecured Creditors

	Amount Due or Claimed
130 Longhorn Supply Co., Inc. P. O. Box 3598 Tulsa, Oklahoma 74152	$ 50.64
Louisiana Gridweek P. O. Box 51444 New Orleans, La. 70150	134.80
John E. Lyle Lincoln Liberty Life Bldg. Houston, Texas	1,528.41
Lynch & Sons Van & Storage 144 Townsend St. San Francisco, Calif. 94107	376.00
Pat Mahoney Rt. 2, Box 617 Hot Springs, Ark. 71901	8.75
Major Brands, Inc. 2601 Almonaster Ave. New Orleans, La. 70117	13.60
Marion L. Martin & Co. 2626 Westheimer Rd. Houston, Texas 77006	84,200.47
The Mayflower Washington, D. C. 20036	103.79
McClinton Tool Co. 8603 Glenaire Houston, Texas 77017	331.50
John W. Mecom, Jr. P. O. Box 2566 Houston, Lexas 77001	8,959.43
Mecom Racing Enterprises, Inc. P. O. Box 26777 Houston, Texas 77032	2,038.00
John W. Mecom, Trustee #, 2307 First City National Bldg. Houston, Texas 77002	23,579.41
A. G. Milner 2047 Swift Houston, Texas 77025	500.00
John R. Morgan Co. 19251 McIntyre Ave. Detroit, Michigan 48219	120.00

PETITIONER

PETITIONER

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Page Eleven
Accounts Payable
To Unsecured Creditors

	Amount Due or Claimed
Daniel L. Morrow 717 Second St. Gretna, La.	$ 800.00
Mr. & Mrs. Don R. Mullins 3808 Inverness Drive Houston, Texas	1,750.00
Mustang Tractor & Equipment Co. Box 1373 Houston, Texas 77001	1,091.37
Joe Myers Ford, Inc. 4410 Westheimer Houston, Texas 77027	4.30
A. Lee Morgan 944 St. Charles Ave. New Orleans, La.	1,846.34
Frank Navro P. O. Box 1521 McAllen, Texas	203.08
Nash Automotive 914 Texas Avenue Texas City, Texas 77590	9.30
National Brake & Transmission Service 800 St. Charles Ave. New Orleans, La.	193.73
National Cotton, Inc. 1828 Avenue C Galveston, Texas	51.43
National Truck & Equipment Co. 1718 McConty Drive Houston, Texas 77029	36.40
John R. Neale, DVM 848 Melrose Ave. El Paso, Texas	276.00
Neiman-Marcus Dallas, Texas 75201	181.40
Newman Bros. Trucking P. O. Bx. 13302 Ft. Worth, Texas 76118	58.00
New Orleans Oil Directory 5614 Albany Court New Orleans, La. 70114	4.75

PETITIONER

PETITIONER

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Page Twelve
Accounts Payable
To Unsecured Creditors

Amount Due
or Claimed

Oilwell P. O. Box 478 Dallas, Texas	$ 47,352.84
Oil Tools, Inc. P. O. Box 6511 Houston, Texas	28,936.62
Orkin Exterminating Co. P. O. Box 225 Gretna, La. 70053	45.00
P & M Electric Co. 2410 Crocker St. Houston, Texas 77006	85.00
Pan American World Airways P. O. Box 2212 Boston, Mass. 02107	3.00
Patterson Hardware & Garden Supply 1991 West Gray Houston, Texas 77019	82.78
Petroleum Distributing Co. P. O. Box 203 Houston, Texas 77001	18,903.14
Pinedo & Hill 2250 Tenneco Bldg. Houston, Texas 77002	1,040.00
Ernest Proctor Stable Route #4 Shelbyville, Kentucky 40065	30.00
Proler Steel Corp. P. O. Box 286 Houston, Texas 77001	50,931.10
Precision Rebuilders, Inc. P. O. Box 343 Harvey, La. 70058	158.21
Ramada Club 29th Floor, First City Nat'l Bldg. Houston, Texas 77002	35.50
Rapid Delivery Service 5901 Schumacher Lane Houston, Texas	3.50
Registry Office - The Jockey Club 300 Park Ave. New York, N. Y. 10022	1,440.00

PETITIONER

PETITIONER

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Page Thirteen
Accounts Payable
To Unsecured Creditors

	Amount Due or Claimed
Republic Parts 3101 Broadway Galveston, Texas 77550	$ 16.63
Resolution Research Engineering P. O. Box 6311 New Orleans, La. 70114	2,240.00
Richardson's Rubber Stamp P. O. Box 52267 Houston, Texas 77052	8.71
Bob Robertson, Inc. P. O. Box 18555 Houston, Texas 77023	21.58
Edward P. Roederer, Jr. 312 Kanen Drive Lafayette, La. 70501	423.94
Rohms' Flower Shop 629 Cherokee New Orleans, La. 70118	23.03
Noxie Romano Fine Jewelry 1002 Louisiana Houston, Texas	850.67
Schlumberger Well Service Lock Box 2183 Houston, Texas 77001	9,523.83
Scott & Co., Inc. P. O. Box 4031 Lexington, Ky. 40504	26,323.00
Shell Morgan Landing, Inc. Route 3, Box 170 Abbeville, La. 70510	51.09
Sigma Alpha Epsilom Fraternity P. O. Box 1016 Norman, Okla. 73069	10.00
Skil Corp. 5033 Elston Ave. Chicago, Ill. 60630	174.04
South Publishers, Inc. 800 Houston St. Laredo, Texas 78040	118.43

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Page Fourteen
Accounts Payable
To Unsecured Creditors

	or Claimed
Southwest Wheel & Manufacturing Co. 2727 Canal St. Houston, Texas 77001	$ 26.08
Spendthrift Farm P. O. Box 996 Lexington, Ky. 40501	5,444.74
Steve Stonebreaker P. O. Box 51444 New Orleans, La. 70150	214.05
Surveyors Instrument Co., Inc. 1201 Chenevort St. Houston, Texas 77003	10.43
Tommy's Lumber Sales P. O. Box 199 Sulphur, La. 70663	2,106.35
Texas National Bank of Commerce Houston, Texas	2,059.27
Texas City Armature Works, Inc. P. O. Box 2126 Texas City, Texas 77590	187.89
Texas International Airlines P. O. Box 60336 AMF Houston, Texas 77060	10.00
Texas Iron Works P. O. Box 35320 Houston, Texas 77035	2,198.26
Touzet Saddlery Mfg. 1551 Crete St. New Orleans, La. 70119	327.50
U. S. Oil of La., Inc. P. O. Box 2566 Houston, Texas 77001	10,311.58
U. S. Oil of La. Ltd. P. O. Box 2566 Houston, Texas 77001	9,695.19
Walston & Co., Inc. 74 Wall Street New York, N. Y. 10005	1,302.81
Welex P. O. Drawer 1431 Duncan, Oklahoma 73533	1,905.58

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Accounts Payable To Unsecured Creditors	Amount Due or Claimed
Western Air Products 4340 Holmes Road Houston, Texas 77051	$ 49.47
Western Auto Associate Store 8621 Highway 6 Hitchcock, Texas 77563	114.16
Westinghouse Electric Corp. 615 Harrison San Francisco, Calif.	91.86
Wilson Supply P.O. Box 1492 Houston, Texas 77001	41,296.90
Henry W. Withers, M. D. 1010 Louisiana Houston, Texas 77002	55.00
Ester Wolk Post Oak & San Felipe Road Houston, Texas	5.32
Word Electric P.O. Box 66 Hitchcock, Texas	55.19
X M. P. Prather Rt. 2, Box 509 Hitchcock, Texas 77563	50,000.00
SCHEDULE A-3 - TOTAL	$783,606.49 *

* Footnote: This listing is based on billings submitted by the creditors listed. There are offsets against some accounts, and others are disputed as having been incurred by companies with which John Mecom is associated.

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SCHEDULE A-5
ACCOMODATION PAPER

HOLDER	PERSON ACCOMODATED AND NATURE OF LIABILITY	AMOUNT DUE
(1) Bank of Nova Scotia 712 Main Street Houston, Texas 77002 and 1st City National Bank of Houston, 1001 Main Street Houston, Texas 77002	Mortgage Notes by U. S. Oil of Louisiana, Inc. and U. S. Oil of Louisiana, Ltd. Guaranteed by Debtors (as of 7/31/70)	$16,654,853.50
(2) Prudential Insurance Co. of America Prudential Plaza Newark, New Jersey	8% sinking fund notes of Lake Washington, Inc. Guaranteed by Debtors	44,000,000.00
(3) Prudential Insurance Co. of America Prudential Plaza Newark, New Jersey	Mortgage notes by Lake Washington, Inc. Guaranteed by Debtors	8,620,150.32
(4) Houston International Hotels Warwick Hotel Houston, Texas	Note of U. S. Oil of Louisiana, Inc. Guaranteed by Debtors	375,000.00

PETITIONER

PETITIONER

A 1009

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SCHEDULE A-5
ACCOMODATION PAPER

HOLDER	PERSON ACCOMODATED AND NATURE OF LIABILITY	AMOUNT DUE
(5) Prudential Insurance of America Houston Mortgage Loan Office P. O. Box 2225 Houston, Texas 77001	Mortgage notes on Warwick Hotel property given by U. S. Oil of Louisiana, Inc., Guaranteed by Debtors	$ 8,339,204.43
(6) Lake Washington, Inc. P. O. Box 2566 Houston, Texas 77001	Note of U. S. Oil of Louisiana, Inc. Guaranteed by Debtors	$15,728,547.00
(7) Continental Oil Co. Chase Manhattan Bank New York, New York	Note of U. S. Oil of Louisiana, Ltd. Related to Stark property guaranteed	$ 333,334.00
(8) D. C. Elwood c/o Trust Department 1st City National Bank P. O. Box 2557 Houston, Texas 77001	Note of U. S. Oil of Louisiana, Ltd. Related to Stark property guaranteed	$ 47,619.00

Mary Elizabeth Mecom
PETITIONER

John J. Mecom
PETITIONER

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SCHEDULE A-5
ACCOMODATION PAPER

HOLDER	PERSON ACCOMODATED AND NATURE OF LIABILITY	AMOUNT DUE
(9) Bethlehem Pension Investment Morgan Trust Company of New York, Trustee of the Pension Trust of Bethlehem Steel Corp., and Subsidiary Companies 23 Wall Street, New York, New York	Note of U. S. Oil of Louisiana, Ltd. Related to Stark property guaranteed	$ 285,714.00
(10) M. L. Evans 2321 Broadway [illegible]ton, Texas	Note of U. S. Oil of Louisiana, Ltd., related to Hitchcock blimp base guaranteed	37,035.79
(11) G. F. & Rose Emma Plummer c/o Alvin State Bank Alvin, Texas	Note of U. S. Oil of Louisiana, Inc., Related to Marina area at Flamingo Isles guaranteed	155,471.84
(12) General Services Administration, Mr. B. C. Hamilton, Chief Credit & Finance Division General Services Admin. 819 Taylor Street, Fort Worth Texas 76102 Bill No. 118-0207	Note of U. S. Oil of Louisiana, Ltd Related to Dickson gun plant property guaranteed.	238,388.79

Frances Elizabeth Mecom
PETITIONER

John D. Mecom
PETITIONER

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SCHEDULE A-5
ACCOMODATION PAPER

HOLDER	PERSON ACCOMODATED AND NATURE OF LIABILITY	AMOUNT DUE
(13) Mobil Oil Corp. 150 East 42nd Street New York, New York	Notes of Lake Washington, Inc.	1,500,000.00
	TOTAL SCHEDULE A-5	$96,315,318.

Mary Frederick Recom
PETITIONER

John W. M
PETITIONER

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A 1013

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OATH TO SCHEDULE A

STATE OF TEXAS

COUNTY OF HARRIS

We, Mary Elizabeth Mecom and John W. Mecom, Sr., the persons who subscribed to the foregoing schedule, do hereby make solemn oath that the said schedule is a statement of all our debts, in accordance with the Act of Congress relating to bankruptcy, according to the best of our knowledge, information, and belief.

Mary Elizabeth Mecom, Petitioner
Mary Elizabeth Mecom

John W. Mecom, Petitioner
John W. Mecom, Sr.

Subscribed and sworn to before me this
1st day of February, 1971

Louise L Perdue
Notary Public

LOUISE L. PERDUE
Notary Public in and for Harris County, Texas

A1014

SCHEDULE B-1
REAL ESTATE

LOCATION AND DESCRIPTION OF REAL ESTATE	ENCUMBRANCES, IF ANY	VALUE OF PROPERTY AT COST
The home of the petitioner, municipal address 2960 Lazy Lane, Houston, Texas, on property described as Site E, Holmwoods, River Oaks Addition, 3.7[illegible] Acres	None	375,802.71
Lot on Old Spanish Trail, Lot 9, Block 2, Dudley Place, Division C.	Mortgage balance of $1,858.36	7,774.1
Location for Stevens Interiors on Waugh Drive, Lot 6 and East 45' of Lot 7, Block 8, Hyde Park Annex, Houston, Texas	Purchase money mortgage to Dr. Frazier $2,500.00	11,000.0
Ranch Property in Los Animos County Colorado, approximately 2400 acres being Sections 17, 18, 19 & 20, and Lots 4, 5, 7 and 8 of Sections 31 and 32	None	203,252.61 143,065.71
Miscellaneous unimproved properties in Liberty County, seven acres out of J. H. Stengler fifty acre tract, and Lot 16 of Block 2 (17.8 acres), Survey 193-1/2 of		15,262.35

PETITIONER

PETITIONER

A1015

SCHEDULE B-1
REAL ESTATE

LOCATION AND DESCRIPTION OF REAL ESTATE	ENCUMBRANCES, IF ANY	VALUE OF PROPERTY AT COST
Five acre tract in H&TC Railroad Company (2.5 acres), Survey 193 - 1/4 of Five acre tract in H&TC Railroad Company Tract 28 (1.25 acres), Jessie Devoe Lee Tract 16 (1 acre), part of East Half of Francis Smith Survey (15 acres), 1/2 interest in Lots 2 and 3 in Block 43, city of Liberty, Texas (1/2 of 2 acres), H&TC Railroad Survey No. 185 (2.95 acres), 35/72 of 39.6 acres in H&TC Railroad survey No. 179 (19.25 acres), H&TC Railroad Company Survey 125 (5 acres), H&TC Railroad Section 179 - 1/2 interest in 13.5 acres (6.65 acres), W. F. Swilley Survey (18 acres); and in Galveston County, Martin Bunman League 50 acres, Lot 79 M. Burn Boat Basin, George Hodges Survey Tract 789 (2.97 acres), A. Edwards Survey - Lot 3, Block 98 (5 acres.)		

NON-PRODUCING LEASES:

LEASE NO.	ROYALTY NAME	LOCATION		AMOUNT
	King Resources Canadian Leases	Alaska-North Slope	* See note below	2,609,120.50
La. 4356	Joyce Tract	Cameron		-
La. 4360	Peter Constance	Cameron		8,500.00
La. 4361	J. A. Davis	Cameron		1,750.00
La. 4362	L. R. Henry	Cameron		17,200.00
La. 4363	Cameron Parish School Board	Cameron		600.00

*Note:
This interest was to be purchased by profit from drilling in the Alaska-North Slope area on leases controlled by King Resources. The drilling was not awarded to Mecom and negotiations are in progress for cancellation of the transaction.

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SCHEDULE B-1
REAL ESTATE

PRODUCING LEASEHOLD:

LEASE NO.	ROYALTY NAME	INTEREST	PURCHASER	DIVISION ORDER NO.	AMOUNT
181-B	R. Mayes Middleton Chambers, Texas				19,975.44
3212	K. T. Alexander	oil .24107200	Sun Oil Co.	109451	
0185	Benoist	oil .03125000	Pan American	21447	
0182	Boyt	oil .04166700	Wm. Hunt	1082	
001	Boyt	gas .04166700	Wm. Hunt		
005-001	So. Gillock E	oil .12500000	Pan American	8179	
005-001	So. Gillock E	gas .12500000	Pan American	8179	
005-001	So. Gillock Unit G	oil .00091250	Pan American	8126	
005-001	So. Gillock Unit G	gas .00091250	Pan American	8126	
0005-	So. Gillock Unit H	oil .00312500	Pan American	8122	
003	So. Gillock Unit H	gas .00312500	Pan American	8122	
0005-	Community R	oil .00449880	Pan American	8123	
004	Community R	gas .00449880	Pan American	8123	
1590	Domingue Gisclair	oil .03125000	Rock Island	34935	
4158	D. H. Loche et al	oil .00195300	Gulf Oil	45553740	
0117	No. Tioga Madison	oil .00350350	Hunt Oil Co.	2400	
0117	No. Tioga Madison	gas .00350350	Hunt Oil Co.	2400	
0117	No. Tioga Madison	pp .00350350	Hunt Oil Co.	2400	
3204	Erin O'Brien et al	oil .00534370	Pan American	27706	
3204	Erin O'Brien et al	gas .00534370	U.S.Oil,Inc.	34800-0	
3204	Erin O'Brien #9	oil .00534370	Pan American	32585	
3204	Erin O'Brien #9	gas .00534370	U.S. Oil, Inc.	35000-0	

Mary Elizabeth Moore

John W. Moore.

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SCHEDULE B-1
REAL ESTATE

PRODUCING LEASEHOLD:

LEASE NO.	ROYALTY NAME	INTEREST	PURCHASER	DIVISION ORDER NO.	AMOUNT
3204	Erin O'Brien #8	gas .00534370	U.S. Oil, Inc.	34900-0	
0310	Old Oceans	oil .12500000	Pan American	9902,9904,9905	
0109	Olaf Olson	oil .12500000	Pan American	25507	
0757	Partlow	oil .00249998	Texaco, Inc.	00240024	
0346	Patrick	oil .03125000	Gulf Oil	455538140	
0346	Patrick	gas .03125000	Houston Prod.	-	
0024	Pew	oil .12500000	Sun Oil Co.	105445	
0175	Roberts & Mueller	oil .07085200	Placid Oil	1217 & 2539-2	
0175	Roberts & Mueller	gas .07085200	Placid Oil	1217 & 2539-2	
3563	EE SU B	oil .00059580	Pan American	1303	
3563	EE SU B	gas .00059580	Pan American	1303	
3563	EE SU A	oil .00113390	Pan American	1340	
3563	EE SU A	gas .00113390	Pan American	1340	
3563	EE SU A	gas .00467690	Shell Oil	441212001	
3563	EE SU A	cond .00234660	Shell Oil	441212001	
3563	EE SU A	oil .00027220	Pan American	1332	
3563	EE SU A	gas .00027220	Pan American	1332	
3563	EE SU A	gas .00237720	Shell Oil	441214001	
3563	EE SU A	cond .00165930	Shell Oil	441214001	
0184	Thayer-Butler	oil .10937500	Pan American	21452	
3563	EE2 SU C	oil .00137340	Pan American	1333	
3563	EE2 SU C	gas .00137340	Pan American	1333	
3563	EE2 SU C	gas .00298280	Shell Oil	441215001	
3563	EE2 SU C	cond .00160410	Shell Oil	441215001	
3563	FF SU A	gas .01279970	Shell Oil	441259001	
3563	FF SU A	cond .00910230	Shell Oil	441259001	
3229	Tacquard "A"	oil .03644900	Phillips	61149 &	
3229	Tacquard "A"	gas .03644900	Phillips	270046	

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SCHEDULE B-1
REAL ESTATE

LEASE NO.	ROYALTY NAME	INTEREST	PURCHASER	DIVISION ORDER NO.	AMOUNT
PRODUCING LEASEHOLD:					
3229	Tacquard "A"	pp .03644900	Phillips	270[illegible]46	
3463-001	UK SU J	oil .01072590	Southdown	2601	
3463-001	UK SU J	gas .00658160	Southdown	2601	
3463-001	UK SU J	pp .00214430	Southdown	2601	
3563	BB SU A	oil .00161411	Pan American	1299	
3563	BB SU A	gas .00161411	Pan American	1299	
3463-004	BB2 SU B	oil .00082598	Pan American	1301	
3463-004	BB2 SU B	gas .00082598	Pan American	1301	
3190	Bassett-Goode	gas .00065100	Atlantic-Richfield	5598	
3189	Brown-Bassett	gas .00002612	Atlantic-Richfield	8955	
3191	Goode Estate	gas .00195300	Atlantic-Richfield	29158	
3875	Polly Simmons	oil .07760400	U.S. Oil, Inc.	13200-0	
3875	Polly Simmons	gas .07760400	U.S. Oil, Inc.	13200-0	
3875	Polly Simmons	pp .07760400	U.S. Oil, Inc.	13200-0	
3563	BB SU A	oil .00161428	Shell Oil	441421001	
3563	BB SU A	gas .00161428	Shell Oil	441421001	
ROYALTY SULPHUR:					
LA4298	Chacahoula Plant	.25000000	U.S. Oil, Ltd.	31600-2	

Value of all producing royalties based on approximately
5 times current annual income $ 900

TOTAL SCHEDULE B-1 $ 4,312,

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PETITIONER

PETITIONER

#1019

SCHEDULE B-1
REAL ESTATE

LEASE NO.	ROYALTY NAME	INTEREST	PURCHASER	DIVISION ORDER NO.	AMOUNT
PRODUCING LEASEHOLD:					
3229	Tacquard "A"	pp .03644900	Phillips	270046	
3463-001	UK SU J	oil .01072590	Southdown	2601	
3463-001	UK SU J	gas .00658160	Southdown	2601	
3463-001	UK SU J	pp .00214430	Southdown	2601	
3563	BB SU A	oil .00161411	Pan American	1299	
3563	BB SU A	gas .00161411	Pan American	1299	
3463-004	BB2 SU B	oil .00082598	Pan American	1301	
3463-004	BB2 SU B	gas .00082598	Pan American	1301	
3190	Bassett-Goode	gas .00065100	Atlantic-Richfield	5598	
3189	Brown-Bassett	gas .00002612	Atlantic-Richfield	8955	
3191	Goode Estate	gas .00195300	Atlantic-Richfield	29158	
3875	Polly Simmons	oil .07760400	U.S. Oil, Inc.	13200-0	
3875	Polly Simmons	gas .07760400	U.S. Oil, Inc.	13200-0	
3875	Polly Simmons	pp .07760400	U.S. Oil, Inc.	13200-0	
3563	BB SU A	oil .00161428	Shell Oil	441421001	
3563	BB SU A	gas .00161428	Shell Oil	441421001	
ROYALTY SULPHUR:					
LA4298	Chacahoula Plant	.25000000	U.S. Oil, Ltd.	31600-2	

Value of all producing royalties based on approximately
5 times current annual income $ 900,000.00

TOTAL SCHEDULE B-1 $ 4,312,303.50

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PETITIONER

PETITIONER

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SCHEDULE B-2
PERSONAL PROPERTY

DESCRIPTION	AMOUNT	TOTALS
A. CASH ON HAND:		
Funds on deposit in the name of Mary Elizabeth Mecom, Savings Account No. 0709352, Louisiana National Bank, Baton Rouge, Louisiana	$107,336.29	
Funds in checking account of John W. Mecom, Louisiana National Bank, Baton Rouge, Louisiana	100,062.08	
TOTAL CASH		$207,398.37
B. NEGOTIABLE AND NON-NEGOTIABLE INSTRUMENTS, STOCKS, ETC.		
NOTES RECEIVABLE:		
Astro Services	11,289.98	
E. P. Gregory, Jr.	20,000.00	
Elco Implements	25,000.00	
Galveston Pleasure Pier	25,000.00	
J. C. Hill	5,756.19	
A. V. Waites	133.45	
E. C. Mullendore, III	26,000.00	
Polymer Engineering	9,423.41	
Heavy Lift, Inc.	50,000.00	
TOTAL NOTES RECEIVABLE		172,603.03

Mary Elizabeth Mecom
PETITIONER

John W. Mecom
PETITIONER

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STOCKS:

300 Shares Babbit Corp. (BTB)	2,528.25	
38-1/2 Shares Capital National Bank	585.00	
10 Shares First Liberty National Bank	2,100.00	
Unissued shares Santa Fe-Hitchcock Savings	10,200.00	
25,000 Shares Satellite Corporation	50,000.00	
Stock in U. S. Oil of Louisiana, Inc.	955,641.29*	
Stock in Adak Company	2,211.29*	
Stock in Adak Company, Inc.	1,000.00*	
Stock in Bluewater, Inc.	140,000.00*	
Houston International Hotels	600,000.00*	
Isla Del Fronton	166,135.92*	
Polymer Engineering	22,060.00*	
Villa Vera	24,000.00*	
Bayou Drilling Corporation	125,991.86*	**
John W. Mecom Development	2,000.00*	**
Clark Book Company	100.00	**
Climex Chemical Company	1,461,593.00	
Cotemp	1,000.00	
1500 Shares Gul Union Corporation	12,500.00	
Heavy Lift, Inc.	67,000.00	
Lena Horne Beauty Products	1,372.65	**
Thermatics, Inc.	1,000.00	
Calf Rearing, International	27,500.00	**
CAV Spa	27,500.00	**
Safari Services Company	8,065.00	**
TOTAL STOCKS (at cost as shown on books)		3,712,084.26

* These are controlled corporations and subsidiaries.
** These stocks are believed to be worthless at the present time.

John W. Mecom
PETITIONER

John W. Mecom
PETITIONER

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SCHEDULE B-2
PERSONAL PROPERTY

DESCRIPTION	AMOUNTS	TOTAL
BONDS:		
Los Animos County Hospital	200.00	
TOTAL BONDS		200.00
INTEREST IN PARTNERSHIPS & JOINT VENTURES:		
U. S. Oil of Louisiana, Ltd.	30,685,476.59	
New Orleans Saints	385,771.00	
North Houston Investments, Ltd.	158 317.00	
Stevens & Warwick Interiors	343,011.49	
TOTAL INTEREST PARTNERSHIPS (listed at cost)		31,572,576.08
TOTAL SECTION B		35,457,463.37

C. STOCK IN TRADE

D. HOUSEHOLD GOODS & FURNITURE

Furniture, fixtures, library, family portraits, and furnishings of the homestead at 2960 Lazy Lane, Houston, Texas	800,000.00
Furniture & fixtures located overseas in connection with foreign drilling operations	88,421.80

Petitioner

Petitioner

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SCHEDULE B-2
PERSONAL PROPERTY

DESCRIPTION	AMOUNT	TOTAL
Personally owned furniture and fixtures located in an apartment in the New Orleans Saints Building, in Lee Circle, New Orleans, and in offices of John Mecom at 1500 Gray Street, Houston, Texas, and in the Houston Club Building	139,258.99	
SUB-TOTAL HOUSEHOLD GOODS AND FURNITURE (at cost)		1,027,680.79

ADORNMENTS OF PERSON AND WEARING APPAREL

SCHEDULE OF RINGS:	VALUE FOR WHICH INSURED
1. One (1) Ladies Diamond Platinum, Black and White Pearl ring containing one Black Pearl, one White Pearl surrounded by 6 marquise diamonds weighing approximately 1.50 carats and 16 baguette diamonds weighing 3.50 carats.	4,000.00
2. One (1) Ladies platinum diamond pear shaped ring, pear shaped diamond weighing 29.69 cts., perfect, fine white, modern cut, two tapered baguettes weighing 1.50 cts.	195,000.00
3. One (1) Ladies South Sea Pearl ring containing a 12mm South Sea Pearl surrounded by 16 round diamonds and 32 round diamonds set in marquise design drops. Total weight 48 diamonds weighing 4 carats.	5,000.00

Petitioner

Petitioner

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SCHEDULE B-2
PERSONAL PROPERTY

DESCRIPTION	VALUE FOR WHICH INSURED	TOTAL
4. One (1) Ladies Diamond Platinum ring containing one emerald cut diamond weighing 3.50 carats, two emerald cut diamonds weighing 2.50 carats each, and two emerald cut diamonds weighing 1.50 carats each, surrounded by 76 baguette diamonds weighing approximately 10 carats.	22,000.00	
5. One (1) Ladies Platinum Cabochon Emerald and Diamond ring containing a Cabochon Emerald weighing approximately 55 carats surrounded by 29 full cut round diamonds weighing 2.25 carats.	4,000.00	
6. One (1) Ladies Platinum Diamond and Star Sapphire ring containing a center Star Sapphire weighing approximately 32 carats surrounded by 28 marquise diamonds weighing 12 carats, one pear shape diamond weighing .20 points, and 13 round full cut diamonds weighing 1.50 c.	16,000.00	
7. One (1) Ladies Platinum Diamond wedding ring containing 38 baguette diamonds and 24 marquise diamonds, total diamond weight 4.50 carats.	2,500.00	
8. One (1) Ladies 14 k. yellow gold Diamond ring containing one center diamond weighing approximately 15 carets surrounded by 18 round diamonds weighing approximately 1.80 carats.	15,000.00	

Elizabeth C. Mecom
Petitioner

John L. Mecom
Petitioner

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SCHEDULE B-2
PERSONAL PROPERTY

DESCRIPTION	VALUE FOR WHICH INSURED	TOTAL
9. One (1) Ladies Platinum Diamond ring containing one center canary diamond weighing approximately 8.50 carats surrounded by 20 marquise diamonds weighing approximately 9 carats and 11 baguette diamonds weighing .75 points.	36,000.00	
TOTAL RINGS		299,500.00
SCHEDULE OF LADIES BRACELETS		
1. One (1) Ladies Diamond Platinum Bracelet containing 96 round diamonds weighing approximately 10.50 carats and 224 baguette diamonds weighing approximately 6.50 carats	12,000.00	
2. One (1) Ladies 18 k yellow gold Diamond bracelet containing 84 round full cut diamonds weighing approximately 11.25 carats.	7,500.00	
3. One (1) Ladies Diamond Platinum bracelet containing 17 marquise diamonds weighing approximately 8.25 carats, 17 pear shape diamonds weighing 8.25 carats, 51 round full cut diamonds weighing 2.50 carats and 54 baguette diamonds weighing 1.75 carats.	20,000.00	
4. One (1) matching Ladies Diamond Platinum Bracelet--description same as above bracelet.	20,000.00	

Petitioner

Petitioner

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SCHEDULE B-2
PERSONAL PROPERTY

DESCRIPTION	VALUE FOR WHICH INSURED	TOTAL
5. One (1) platinum diamond bracelet 9 small emerald cut diamonds, 30 baguette diamonds, 230 small round diamonds, bracelet linked step design on edges	3,500.00	
6. One (1) Ladies Platinum Sapphire and Diamond bracelet containing 90 sapphires and 196 baguette diamonds. Total weight - Sapphires weighing 5.75carats, baguette diamonds weighing 5.75 carats.	6,500.00	
TOTAL BRACELETS		69,500.00
SCHEDULE OF NECKLACES:		
1. (1) Ladies Diamond and Black and White Pearl Necklace containing 33 Black Pearls and 33 White Pearls with 528 small diamonds weighing approximately 5.50 carats.	4,000.00	
2. One (1) Diamond necklace platinum set wit welve diamonds weighing about 20 carats and 967 small diamonds and 60 baguettes. Can make into a choker necklace and two bracelets.	20,000.00	
3. Double flumes of marquises and pear shape diamonds flow through baguette diamond estuaries and emerge as triple torrents of scintillating brilliance, the foregoing describes a diamond necklace	91,800.00	

Petitioner

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SCHEDULE B-2
PERSONAL PROPERTY

DESCRIPTION	VALUE FOR WHICH INSURED	TOTAL
4. One (1) Ladies triple strand cultured pearl necklace containing a 14 k white gold diamond clasp with a center marquise diamond weighing one half carat surrounded by 38 diamonds weighing 2.25 carats.	3,200.00	
TOTAL NECKLACES		119,000.00
SCHEDULE OF PINS:		
1. One (1) Ladies Pearl and Diamond Platinum Pin containing 4 Pearls, 10 pear shape diamonds weighing approximately 7 carats, and 32 baguette diamonds weighing approximately 3 carats.	14,000.00	
2. One (1) Ladies 18 k yellow gold Leaf Design Pin containing 111 diamonds weighing approximately 9.50 carats.	7,500.00	
3. One (1) Ladies Diamond Platinum Heart Pin containing one center diamond weighing approximately 5 carats, two heart shape diamonds weighing 1.25 carats each, and 16 round diamonds weighing .65 points each.	16,000.00	
4. One (1) Ladies 18k yellow gold Acorn Pin containing 6 Pear Shape diamonds weighing approximately 2.25 carats 9 marquise diamonds weighing approximately 4 carats and 61 round diamonds weighing approximately 5.25 carats.	7,500.00	

Petitioner

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SCHEDULE B-2
PERSONAL PROPERTY

DESCRIPTION	VALUE FOR WHICH INSURED	TOTAL
5. One (1) Platinum Diamond Pin containing 37 Marquise diamonds, 53 Baguette diamonds. Total wt. 22.97	12,500.00	
TOTAL PINS:		57,500.00
SCHEDULE OF WATCHES:		
1. One (1) Ladies Diamond Platinum covered lid watch containing 14 marquise diamonds weighing approximately 7.25 carats, 3 pear shape diamonds weighing approximately 1.30 carats and 2 round diamonds weighing .70 points in the covered lid, the band contains 80 baguette diamonds weighing approximately 2.50 carats and 160 round diamonds weighing approximately 5.25 carats.	8,500.00	
2. One (1) Ladies 18 k. yellow gold Rope Link Design Watch containing 29 round full cut diamonds weighing approximately 5.25 carats with a 17 Jewel Ebel movement.	4,500.00	
3. One (1) Ladies Diamond Platinum covered Lid Watch containing one center marquise diamond weighing 1.25 carats, 10 baguette diamonds weighing .30 points, and 24 round diamonds weighing .70 points in the lid, the band contains 12 baguette diamonds weighing .45 points and 242 round diamonds weighing approximately 7.25 carats.	6,000.00	
TOTAL LADIES WATCHES:		19,000.00

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SCHEDULE B-2
PERSONAL PROPERTY

DESCRIPTION	VALUE FOR WHICH INSURED	TOTAL
SCHEDULE OF MEN'S JEWELRY:		
1. One(1) pair of Gents Diamond and Sapphire cuff links each link containing six square sapphires, and six square cut diamonds set in platinum	1,300.00	
TOTAL MEN'S JEWELRY		1,300.00
SCHEDULE OF EARRINGS:		
1. One (1) Ladies Black and White Pearl and Diamond earrings containing two Black Pearls and two White Pearls with 31 diamonds in each, 62 diamonds weighing approximately 1.50 carats in pair earrings.	1,500.00	
2. One (1) pair of Ladies 14 k white gold Pearl and Diamond Drop Earrings containing 10 pearls and 100 diamonds weighing approximately 1.50 carats.	1,200.00	
3. One (1) pair of Ladies 18k yellow gold Diamond Leaf Design Earrings containing 27 full cut diamonds in each earring, 54 diamonds in the pair weighing approximately 3.75 carats.	2,500.00	
4. One (1) Ladies 18k yellow gold Diamond Acorn Design earrings containing 6 Pear Shape diamonds weighing approximately 1.50 carats and 64 round diamonds weighing two carats in the pair.	2,500.00	

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SCHEDULE B-2
PERSONAL PROPERTY

DESCRIPTION	VALUE FOR WHICH INSURED	TOTAL
5. One (1) pair of Ladies Diamond Platinum Earrings containing eight Pear Shape diamonds in each earring, 14 pear shape diamonds weighing 16.27 carats and two removable pear shape drops weighing 7.04 carats. Total weigh in the pair 23.31 carats.	50;000.00	
6. One (1) pair of Ladies 14k white gold Pearl and Diamond earrings, each earring containing one pearl-10mm surrounded by 7 baguette diamonds weighing .60 points and 29 round diamonds weighing 1.50 carats. Total weight - 14 baguette diamonds weighing 1.20 c. 74 round diamonds weighing 3 carats.	6,500.00	
7. One (1) Pair of Ladies Diamond Platinum earrings containing six marquise diamonds in each. Total weight 12 diamonds weighing approximately eleven carats.	14,000.00	
8. One (1) Pair of Ladies Sapphire and Diamond earrings, each earring containing a center sapphire weighing 2.25 carats surrounded by 16 pear shape diamonds weighing 3.50 carats and 6 round diamonds weighing .80 points. Total weight - 2 Sapphires 4.50 carats, 32 pear shape diamonds 7 carats, 12 round diamonds 1.60 carats.	8,500.00	
TOTAL EARRINGS:		86,700.00

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SCHEDULE B-2
PERSONAL PROPERTY

DESCRIPTION	VALUE FOR WHICH INSURED	TOTAL
SCHEDULE OF FURS:		
1. One natural Blue Iris Mink Coat	6,375.00	
2. One natural Ranch Mink Coat	4,250.00	
3. One natural Breath of Spring Cerulean mink stole	1,870.00	
4. One ten skin tipped dyed Russian sable scarf	1,487.00	
5. One black dyed Russian sable stole	1,934.00	
6. One Cerulean Mink Jacket	1,169.00	
7. One Russian Chinchilla stole 84" in length	4,500.00	
TOTAL FURS:		21,585.00
TOTAL ADORNMENTS (Amount based on amount of insurance carried on each item)		674,085.00
TOTAL SECTION D		1,701,765.79

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E. PAINTINGS:

Begging for Alms, by F. Delchaye 46" x 27½"	2,500.00
English Landscape, with figures 14½" x 22"	500.00
The Proud Guardian, by Charles Baxter	750.00
Landscape, The Sheep by Cornelius Wester Beek 24" x 40½"	1,000.00
French Landscape with Riverboats by Armand Guery	900.00
Wooded Landscape - unknown Dutch artist, 23" x 26"	250.00
TOTAL PAINTINGS	5,900.00

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SCHEDULE B-2
PERSONAL PROPERTY

F. HORSES, COWS, SHEEP AND OTHER ANIMALS

CATTLE ON RANCH IN COLORADO:

	Classification	Number	Amount
A)	Cows 3 to 8 years	722	$194,940.00
B)	2-year old Heifers	100	24,000.00
C)	Bulls	38	15,200.00
D)	Calves	110	13,200.00
E)	Yearling Heifers	80	12,000.00
	TOTAL CATTLE		$259,340.00

HORSES:

THOROUGHBREDS:

AMOUNT

5 Stallions
55 Mares
10 Yearlings

QUARTER HORSES:

Approximately 40 Quarter Horses Located Colorado

Estimated value of all horses as a group $ 60,000.00

TOTAL SECTION F

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SCHEDULE B-2
PERSONAL PROPERTY

G. AUTOMOBILES & OTHER VEHICLES:

YEAR	MAKE	MOTOR AND/OR SERIAL NUMBER	1970 LICENSE NUMBER	AMOUNT
Registered in Liberty County, Texas:				
1967	Cadillac Fleetwood	H7157829	MXS587	
1965	Oldsmobile	358695R107016	MXS 588	
1965	Chev. 1/2T.	136805K187914	5C1748	
1968	Chev. 1/2T.	CS148S157412	5C1747	
Registered in Orleans Parish, Louisiana:				
1969	Chrysler Station Wagon	146V349	La. Plate	
Registered in Harris County, Texas:				
1966	Lincoln 4-Dr.	6Y82G435736	PRH98	
1967	Cadillac "75" Fleetwood	R7161705	PRH97	
Registered in State of Colorado:				
1955	Cadillac	557502695	LM2859	
1965	Travelet Int'l	8B562994A	LM506	
1967	Travelet Int'l	6831094662035	LM508	
1969	Int'l P.U. Truck	2831084791379	LM507	
1966	Willis Jeep	8305A219957	LM2860	
Registered In Galveston County, Texas:				
1950	Chevrolet 1½T.	JEA 114283	5H8454	
1951	Int'l	RD 40612711	J51753	
1955	Ford	F50V5D1[illegible]322	5H8455	
1956	Ford 1/2T.	F10V6M17537	5H8456	

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Registered in Galveston County, Texas (Cont'd.)

1956	Ford 2½T.	F805GH74106	J51751
1957	Kenworth	69056	J51752
1960	Ford P.U.	F10J0K36436	5H8457
1962	GMC 1/2 T.	1002PJ21115A	5H8458
1962	GMC 1/2T.	1002PJ3254A	5H8459
1963	Chev. 1/2 T.	3C144S127984	5H8460
1963	Chev. P.U.	3C144S160149	5H8461
1963	Ford 3-1/2 T.	C85PU442239	J51750
1963	Ford 1/2 T.	F10JF363459	5H8462
1964	Chevrolet	45680B127028	5H8463
1964	Chev. Carryall	4C146S130604	5H8464
1964	Ford 3/4 T.	F25CD520707	5H8465
1964	Ford 2 T.	F60AK570651	5H8466
1965	Chev. 1/2 T.	136805K177833	5H8467
1965	Chev. 1/2 T.	C15456183214	5H8468
1965	Chev. 1/2 T.	C1545S70931	5H8469
1965	Chev. 1/2 T.	C1545S188692	5H8470
1965	GMC 3/4 T.	1502PF12007B	5H8471
1966	Chev. 1/2 T.	C1446S125065	5H8472
1965	Chev. 1/2 T.	C1545S147852	5H8473
1966	Chev. 1/2 T.	C1446S115190	5H8474
1966	Chev. 1/2 T.	C1546S211016	5H8525
1966	Chev. 1/2 T.	C1546S211016	5H8525
1966	Ford 3/4 T.	F25UK861864	5H8526
1966	Ford 1/2 T.	F10YK886279	5H8527
1967	Chev. 1/2 T.	CS147S104170	5H8528
1967	Ford Ranchero	7K48H116643	5H8529
1968	Chev. 1/2 T.	CS148S109234	5H8530
1962	Chev. 1/2 T.	C1545S189549	5H8531
1967	Ford 1/2 T.	F10CD431415	5H8532
1951	Nabors	SX23194DT	Z51918
1961	T/B Trailer (Homemade)	None	D61399
1963	Shop Built Trailer	TR 107140	Z51919
-	Shop Made Trailer	None	D61397
-	Shop Made Trailer	None	D61398
1953	GMC 2 1/2 T.	3A17101	5H8538
1965	Ford P.U.	F10DK624314	5H8539

Registered in Galveston County, Texas:

1961	Cadillac	61M034631	NHG 116
1961	Ford Thunderbird	1Y71Z112113	NHG 117
1963	Cadillac	63M039510	NHG 118
1963	Cadillac	63N053851	NHG 306
1964	Ford Galaxie	4D62X105669	NHG 119
1964	Ford Fairlane	4K32F113149	NHG 120
1964	Oldsmobile	884M229279	NHG 121
1965	Olds Wagon	334555M149576	NHG 304
1965	Olds Convertible	384675M198280	NHG 303
1966	Cadillac	P614566S	NHG 122
1966	Ford City Sedan	6D74318123	NHG 123
1966	Lincoln 4-Dr.	7489G80478	NHG 302
1964	Lincoln 4-Dr	4U82N410696	NHG 301
1966	Olds Holiday	381376M145130	NHG 124
1966	Olds "98"	386696M106286	NHG 300
1969	Dune Buggy	1651270	NHG 400

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Registered in Zapata County, Texas:

1961	Cadillac Eldorado	61E043257	JRK 768
1962	Ford	2Y832144330	JRK 769
1966	Olds Vista Cruiser	B34556M163840	JRK 770
1967	Ford 4-Dr.	7Y84Z130075	JRK 766
1967	Ford Bronco	U13NDA19277	JRK 767
1969	Ford Station Wag.	9D73Y101620	JRK 765
1954	Chev. Winch Tr.	0284505F54N	8S6820
1963	Ford 2 T.	C60CU420957	J32811
1964	Ford 1/2 T.	F10CD450419	3W2091
1964	Ford 2 T.	F60AK525444	3W2092
1965	GMC 3/4 T.	1502PF13251B	3W2093
1967	Int'l	417240D224858	J32812
1960	Willis Jeep	5633717028	JRK 771
1964	Univ. Jeep	57548140277	JRK 772
1964	Univ. Jeep	57548148097	JRK 773
1945	Hobbs Trailer	407	Y11672
1957	Trailmobile Tr.	128425	Z32381
1959	Shopmade Trailer	TR 103315	Z32379
1960	Nabors Trailer	1990CSF	Z32380

TOTAL SCHEDULE B-2 - Section G $ 25,000.00

Note: It is believed that many of these pieces of equipment may be inoperable and of no value. A physical inventory will be required for such a determination.

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SCHEDULE B - 2
PERSONAL PROPERTY

I. VESSELS

OFFICIAL NUMBER	DESCRIPTION	AMOUNT
0001	19' Polymarine	$ 9,822.76
281011	Steel Quarters Boat BLOOMGREN length 105', breadth 29', depth 10'	$ 4,474.47
27206	Tug WEST CAMERON, Length 60.2', breadth 19.9', Depth 7.4', 400 H.P. diesel	$ 2,552.71
271409	Steel tug LA ROSE, Length 49.8', breadth 17.0', Depth 6.5', 400 H.P. Diesel	$ 1,863.27
270961	Steel tug LAKE WASHINGTON, length 46.9', breadth 18.1', depth 6.6', 440 H.P. diesel	$ 1,742.98
272226	Steel crewboat CAPTAIN CLERC, length 47.1', breadth 14.8', depth 6.8', 920 H.P. diesel	$ 5,715.27
275493	Fiberglas crewboat, TEXAN, length 36.7', breadth 13.5', depth 5.8', 520 H.P. diesel	$ 2,727.24
231665	Steel Sulphur barge SULPHUR QUEEN, length 335.8', breadth 52.1', depth 29.3'	$ 61,833.34
	Derrick barge 140' x 54' x 12' of steel construction, with Rig No. 25, National 3410 F E B draw works powered by Ideal Ajax 16" x 16" steam engine, steel boiler barge 100' x 27' x 12', with 5-350 WP/150 H.P. boiler (value included in Section J)	
	Rig No. 12 Barge, 257' x 38' x 10.5' steel construction;	$ 1,929,12
	Steel deck cargo Barge No. 143, 110' x 30' x 7';	$ 2,578.19
	Steel Deck cargo Barge No. 144, 110' x 30' x 7'	$ 2,578.19
	The platform of former TEXAS TOWER NO. 3	$105,000.00
	NEW JERSEY	$ 17,600.00
	Miscellaneous steam pumps and boilers	
		$220,417.54

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Schedule B-2

J. MACHINERY, FIXTURES, APPARATUS AND TOOLS USED IN BUSINESS

LOCATION	VALUE
Lease Equipment on Mayes Estate - Lost Lake Production	$ 21,820.91
Well Equipment	
Mayes Estate Well No. 19	$ 2,158.76
20	3,319.36
21	7,661.94
24	15,014.10
25	9,336.27
31	11,179.71
32	10,074.04
34	19,422.04
Cade Heirs Well No. 2	3,113.74
General Field Equipment at Chacahoula	$ 6,577.61
Drilling Equipment	
Rig No. 9 Oil Well 96 Barge in Holland	$946,374.96
Rig No. 25 Steam Barge at Hitchcock	54,549.14
TRACTORS AND DRAGLINES	
9 Cleatracs - Crawler Tractors	$ 5,400.00
1950 Diesel TD-18 Bulldozer	4,267.70
1950 Diesel TD-18 Bulldozer	3,000.00
1950 Diesel TD-18 Bulldozer	3,800.00
1950 Allis-Chalmers Tractor	900.00
1951 John Deere Tractor D	3,102.37
1951 Insley Dragline	4,715.00
1951 Insley Dragline	4,715.00
1952 John Deere Tractor H-180	3,693.86
1953 Ford Tractor 8N-16	2,181.66
Dirt Buggy	2,250.00
1953 Ford Tractor NAA-1460	2,637.50
Farmall Tractor	200.00
1955 Diesel TD-24 Bulldozer 5094	8,000.00
1953 Clark Tractor	175.00
Marsh Buggy	1,833.00
1955 Caterpillar Tractor	1,000.00
1955 Allen H O Scale Attachment	338.13
1955 Insley Dragline w/cab engine	5,500.00
1955 Hancock Elevating Scraper	3,289.84
1955 Hancock Elevating Scraper	3,289.84
1956 International Tractor Attachments Model M	1,000.00
1956 John Deere Bulldozer	1,909.00
1956 Athey Tractor D-6	12,000.00
Ducks	5,500.00

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Schedule B-2

Page Two

LOCATION	VALUE
TRACTORS AND DRAGLINES (Continued)	
1958 Caterpillar Maintainer Model 12	$ 3,500.00
1958 Caterpillar Maintainer Model 12	4,500.00
2 Weasels	2,775.00
1960 Caterpillar Bulldozer D-8 2V-12004	6,000.00
1960 Maintainer 8T-2101	5,000.00
1961 Northwest Dragline 15159	8,500.00
1961 Northwest Dragline 15393	8,500.00
1962 Mowall 15" Cutter SMC	1,400.00
Bulldozer 14-A 3605	14,790.00
Dragline Bucket 5/8 yd	314.00
Towner Offset Disk Hanow	971.40
Baker Fork Lift 4000	1,300.00
Cleveland Trencher Model 14	1,526.00
John Deere Tractor M400	2,040.00
John Déere Tractor M400	2,040.00
John Deere Tractor M400	2,040.00
John Deere Tractor M400	2,040.00
Gipson Fork Lift 2Ton	816.00
Caterpillar Cable Control 905188	1,500.00
Caterpillar Cable Control 9033518	1,250.00
Hendrix Dragline Bucket 5/8 yd.	1,132.20
1010 RCV Mower	2,997.45
Cardwell Trailwheel Assy	64.77
Cardwell Cutter PL-2	372.73
D-7 Bulldozer V	2,000.00
D-7 Bulldozer V	2,000.00
D-7 Bulldozer V	2,000.00
Caterpillar Maintainer Model 12	2,000.00
Maline Tractor	350.00
RCV Tractor M-1010	2,595.00
Holland Baler 281	3,310.25
2 Cardwell Rotary Brush Cutters	922.80
Cardwell 16' Cutter Model 16M	1,889.40
John Deere Tractor Model 5010	7,344.00
Manitowoc Dragline 3900B	67,116.00
Ferguson Sheepfoot Roller M-12	736.95
John Deere Tractor	1,580.00
John Deere Tractor	729.00
Diesel Tractor	9,000.00
John Deere Hyd. Loader	3,400.00
AIRPLANES	
Northrop C-125 Trimotor	$ 12,877.51
Cessna 195 Columbia (crash damaged)	1.00
Fairchild C-82 (Shot down in Egypt - claim pending with State Dept.)	55,769.23
Airplane Interiors	14,500.00

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Schedule B-2

Page Three

LOCATION	VALUE
FIELD EQUIPMENT AT HITCHCOCK BASE	
John Deere Grain Drill	$ 250.00
Tandem Reynolds Loader	1,000.00
Portable Squeeze Chute	150.00
Portable Pump 4-6"	250.00
Bean Cattle Sprayer	150.00
13 Saddles	650.00
Curtis Air Compressor 2 Hp	100.00
Rhome Tool Carrier	500.00
McCormick Mower	2,263.32
John Deere Model 2020 Tractor	4,788.21
Simonsen Spreader A-15	600.67
Holland Baler	2,884.00
John Deere Tractor & Sickle	4,050.04
International Harvester Tractor	3,567.92
Cardwell Mower	365.00
International Mower C-2	225.00
John Deere Mower M-39	455.86
Miscellaneous Equipment	29,626.51
Farm Equipment	3,738.23
FOREIGN ASSETS LOCATED IN SINGAPORE	
Drilling Equipment	
Derrick Skid Assy	$ 34,701.50
Rig No. 20	112,857.14
Blowout Preventer	39,723.18
Rig No. 2	180,416.24
Rig No. 3	111,255.60
Rig No. 101	190,349.94
Spare Parts	65,510.86
6 Kenworth Diesel Trucks	49,717.50
4 Land Rovers	2,532.00
6 Dodge Power Wagons	15,444.96
Vauxhall Victor	2,228.10
Grader Loader	26,000.00
FOREIGN ASSETS LOCATED IN JORDAN	
Warehouse Stock	$111,478.31
Drilling Equipment	
Rig No. 1	178,074.10
Rig No. 103	190,349.93
Rig No. 60	16,735.97

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Schedule B-2

Page Four

LOCATION	VALUE
FOREIGN ASSETS LOCATED IN JORDAN (Continued)	
1964 Buick Riviera	$ 6,352.00
1964 Buick Wildcat	4,308.00
Furniture and Fixtures	382.90
FOREIGN ASSETS LOCATED IN COLUMBIA	
Drilling Equipment	
Rig L119	$ 40,312.31
Rig L350	$216,803.56
1951 International Truck	1,750.00
1955 Dodge Power Wagon	1,287.50
1958 Chevrolet Truck	740.33
Dodge Power Wagon	748.18
1959 Ford Pickup	1,219.35
1959 Ford Pickup	1,226.02
1959 GMC Pickup	1,115.85
1959 GMC Pickup	1,115.85
1949 Hobbs Trailer	3,094.23
1949 Dodge Express	2,245.30
1950 Nabors Trailer	3,094.50
1939 White	1,300.00
1954 International	5,285.38
1954 International	1,750.00
Nabors Trailer	75.10
Furniture and Fixtures	37,462.10
Radio Equipment	248.43
TOTAL (Based on Cost per books) - SECTION J - (without depreciation deduction and not a true indication of present value)	$3,175,698.15

PETITIONER

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SCHEDULE B-2

SECTION L

THE FOLLOWING LISTING IS OF ITEMS ON LOAN TO THE WARRICK HOTEL,

GROUPED ACCORDING TO THEIR LOCATION IN THE HOTEL

	ITEM	AMOUNT FOR WHICH INSURED
	North Lobby	
1.	4 Louis XVI chairs, antique @ $500. each	$ 2,000.00
2.	1 Louis XVI chair matching four above, antique	$ 500.00
3.	1 Winterhather revolving clock, Louis XV (1740)	$ 2,000.00
4.	1 Lead painted statue on back table	$ 350.00
5.	1 Corner cabinet	$ 800.00
6.	1 Vase on top of corner cabinet (Neptune)	$ 200.00
7.	1 Pair Ormalu angel candelabra (9 candles) in front of Aubusson Tapestry	$ 600.00
8.	1 French metal shell urn with fish pedestal	$ 200.00
9.	1 Aubusson tapestry (also section over spiral staircase leading to basement)	$30,000.00
	East Corridor	
10.	1 White stone statue (Bedouin with rifle)	$ 100.00
11.	1 Greek mythology statue with nude riding back	$ 200.00
12.	1 Pair Satsuma Large Urns - 5'2" high	$ 4,000.00
13.	1 Pair scalloped marble top console tables with carved foundations of flowers, etc.	$ 2,000.00
14.	1 Louis XV bench, Beauvais petit point seat and vertical sides	$ 800.00
15.	1 Louis XV Beauvais petit point settee (angels and dogs)	$ 700.00
	Princess and Imperial Suites Corridor	
16.	1 French inlaid planter, carved legs, 42" x 18"	$ 150.00
17.	1 Antique mirror golf leaf frame	$ 300.00
18.	1 50" Louis XV marble top ormolu console	$ 500.00
19.	1 Jean Batiste Robis oil, Belgian (1821-1910)	$ 2,800.00
20.	1 Thomas Armstrong brothers grandfather clock	$ 1,500.00
	South Lobby	
21.	1 French antique desk, Early 18th Century, ormalu trim	$ 850.00
22.	2 Cane reproduction chairs with desk, covered with imported French velvet	$ 600.00
23.	1 Sevres urn between Cafe Vienna and Hunt Room	$ 600.00
24.	1 Quan Yen statue (1593) Spiral staircase	$10,000.00
25.	1 Statue "EN Champagne", on table	$ 800.00
26.	2 Brass 5'6" andirons	$ 300.00
27.	1 Brass ornamental sand urn with black wooden base (at front desk)	$ 100.00

PETITIONER

John W. Mecom

PETITIONER

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South Lobby Entrance Corridor to Ballroom

28.	1 Blue urn and 2 blue Sevres vases	$ 2,000.00
29.	4 Statutes (four seasons)	$ 1,600.00
30.	2 6" benches, petit point on roses	$ 600.00
31.	1 Marble column pedestal (with Houdon bust on it)	$ 100.00

Imperial Suite

32.	1 Oil Painting, Napoleon II (Winterhalther)	$ 2,800.00
33.	1 Table, Louis XV, Early 18th Century (under Napoleon painting)	$ 1,500.00

Hunt Room

34.	1 Gladiator bust with marble pedestal	$ 300.00
35.	Metal sconces holding Joan of Arc statue and "Sweet Cherubs"	$ 800.00
36.	4 Sconces and two deer heads and two boar heads	$ 1,200.00
37.	2 Hunting Horn chandeliers	$ 1,000.00
38.	1 Statue with fish over shoulder	$ 500.00

Cafe Vienna

39.	1 Brass lave bowl and catch basin with artificial fruit	$ 100.00
40.	1 Porcelain statue of cherub with grapes mounted on wooden sconce	$ 250.00
41.	1 Porcelain square urn with shell motif	$ 200.00
42.	1 Austrian Franciene Stove	$ 8,000.00

Basement

43.	1 Prince Noir metal statue and base	$ 400.00
44.	1 Maximillian Statue and base	$ 400.00

Pool Terrace

45.	1 5' White marble nude, "Bathing Girl" (Allegrain) mounted on black green marble 3' pedestal	$ 3,000.00
46.	1 4' White marble reclining nude, "The Sun Bath" (Prof. Pietro Coccarelli), mounted on 2-1/2' black-green marble pedestal	$ 3,000.00

Club Entrance

47.	1 Footed wall table, black & gold with white marble top, 9' long	$ 1,200.00
48.	1 1913 tapestry by Gherer, 6' x 10'	$ 8,000.00
49.	1 Oriental stand lady holding 8 candle cluster by E. Guillemin	$ 800.00
50.	1 Oriental standing lady holding 8 candle cluster by E. Guillemin (1873)	$ 800.00
51.	1 Antique mirror framed in gold carved frame and etched glass matting (approx. 36" x 60")	$ 500.00

PETITIONER

PETITIONER

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52. 1 Antique wall table Louis XVI with carved rose garland draped legs motif with marble top, 40" long — $ 600.00

Club Area

53. 1 Silver and gold washed metal bust of lady — $ 1,500.00
54. 1 Mobile Silver Roast Beef Cart — $ 1,200.00
55. 1 Silver and gold washed metal bust of lady — $ 1,500.00
56. 1 Duck Press — $ 250.00
57. 1 26" white marble bust of young man with feathered hat and strap across his chest — $ 500.00
58. 2 Metal sand urns (at glass elevator) — $ 200.00
59. 1 26" white marble bust of young lady with plaited hair and beads around her neck — $ 500.00

Front Desk

60. 1 Bronze greyhound by Woogen — $ 300.00
61. 1 Clock, Roman Gladiator with shield, on black marble base — $ 800.00
62. 1 24" high Brass sand urn, Chinese Dragon-Old man on side, water bird on other side — $ 150.00

Front Entrance

63. 1 5'6" Bronze nude fountain standing on dolphin base, with conch shell in hand — $ 3,000.00
64. 2 (or 1 pair) 6' white marble statues of ladies holding gilded bundle of flowers - flowers electrified - statues on oval grey marble base with metal gilded wreath as part of base — $ 6,000.00

Main Street Entrance

65. 1 43" high white marble statue of nude sitting on 3' oval carved flower covered mound placed upon marble carved base 36-1/2" high, 38" long x 29" wide — $ 3,000.00
66. 1 60" white marble standing nude with right hand on raised left leg which has an asp coiled around ankle. Labeled EURYDICE. Mounted on grey marble base 30" x 30" x 22" high — $ 3,000.00

Guest Floor Corridors

67. 2 Chinese, shaped two-drawer Consoles, 33" wide, 16-1/2" deep, 34-1/2" high, carved and painted outdoor temple scenes on the side, ornamental brass pulls, door scutcheons and front leg trim (10th Floor) — $ 1,200.00

Reginald A. Reese
PETITIONER

John W. Moore
PETITIONER

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Ladies' Lounge - Club

68.	1 Bronze Egyptian Statue, 26" wi Alligator at Base "A. Carrier Boy"	$ 200.00
69.	1 Bronze Classic Figure with Dolphin at Base, 28" "A. Carrier Boy"	$ 200.00
70.	1 Bronze Classic Figure with Lion at Base, 26" "A. Carrier Boy"	$ 200.00
71.	1 Bronze Classic Figure with Wolf Skin Robe, Turtle at Base, 28" "A. Carrier Boy"	$ 200.00

Presidential Suite

72.	1 Antique Brass Fireplace Guard with Urn Decor	$ 400.00
73.	1 Antique Fireplace Screen (Brass)	$ 500.00
74.	2 Consoles, Gold and Brushed Blue with Marble Tops	$ 600.00
75.	1 Antique Curio Cabinet (2 pieces), Bronze Ormalu, 3-Shelf Glass top, Gallery top, 1-Drawer base	$ 700.00
76.	1 Hand-Carved Arm Desk Chair	$ 350.00
77.	1 Ceramiche Compote (Italian), White and Gold	$ 150.00
78.	1 Pr. Ceramiche Urns (Italian), White and Gold	$ 200.00
79.	1 pr. Sevres Blue Handpainted Vases - 26½" high	$ 800.00
80.	1 Bronze Statue, Lady on Goat, 15"	$ 300.00
81.	1 French Handcarved Desk, 51" x 30"	$ 800.00
82.	1 Antique Humidore, Wood with Bronze Ormolu, Paceline Medallion Insets	$ 400.00
83.	2 Bronze Antique Oil Lamps, Base Height, 18", with winged Cherubs on Front	$ 300.00
84.	1 Handcarved Antique Settee, Golf Leaf Frame, Louis XVI, with Beauvais Petit Point Back and Seat	$ 700.00
85.	4 Handcarved Antique Chairs, Gold Leaf Frame, Louis XVI, with Beauvais Petit Point Backs and Seats	$ 1,600.00
86.	1 Mahogany Lamp Table, Bronze Ormolu with Inlaid Top Tray, Height, 26-1/2", Length, 21", Width, 16"	$ 200.00
87.	2 Oil Pastoral Paintings by A. A. Glendening, Gold Frames, 26" x 17"	$ 700.00
88.	1 John Weight Oakes Oil Painting - English 1820-1827, Gold Frame, 28" x 20"	$ 800.00
89.	1 Oil Portrait of Mrs. Mecom by T. A. Devenish, Frame, Carved Gold Leaf with Greywash, Size 48" x 28"	$ 1,000.00
90.	4 Antique Bronze French Sconces, Jester's Heads with Grapes	$ 600.00

Living Room

91.	1 Louis XVI Handcarved Antique Sofa, Blue and White Cut Velvet upholstery, Reece B. Davis fabric	$ 1,000.00
92.	6 Matching Louis XVI Handcarved Antique chairs, Blue and White Cut Velvet Upholstery	$ 2,400.00
93.	12 Louis XV Antique Cane Dining Room Chairs	$ 1,080.00

Reginald F. Mecom
PETITIONER

John W. Mecom
PETITIONER

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SCHEDULE B-3
DEBTS DUE PETITIONER ON OPEN ACCOUNT

Advance made to Bluewater, Inc.	82,052.75
Advance to Houston International Hotels	23,433.49
Advances made to Isla Del Fonton	52,509.97
Advances to Palmer Engineering	177,022.27
Advances to New Orleans Saints	653.74
Advances to John & Kotsy Mecom, Jr.	1,5[illegible],430.86
Advances to John W. Mecom Trustee, I	1,028,210.00
Bob and Lannie Moses	35,429.84
Don and Betsie Mullins	140,732.50
TOTALS	$3,126,475.42

PETITIONER

PETITIONER

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SCHEDULE B

SECTION B - INSURANCE

INSURED	NAME OF INSURANCE COMPANY	POLICY NUMBER	FACE AMOUNT
JOHN W. MECOM, SR.	Northwestern National	B 503694	$ 5,000.00
JOHN W. MECOM, SR.	Northwestern National	B 579242	5,000.00
JOHN W. MECOM, SR.	Great Southern	433063	5,000.00
JOHN W. MECOM, SR.	Great Southern	381746	5,000.00
JOHN W. MECOM, SR.	Aetna Life	N1458783	25,000.00
JOHN W. MECOM, SR.	Aetna Life	N1461018	25,000.00

Note: Full loan values have been borrowed on all policies, and therefore, they have no present cash value.

Petitioner

Petitioner

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SCHEDULE B-3

SECTION C - UNLIQUIDATED CLAIMS	VALUE
Claim for water damage to oil painting against the insurer of the contents of the residence of the debtors. Based on the estimate of the appraiser of debtors' the loss would be $81,500.00. However, the insurance appraiser estimates the loss at $25,000.00. See Section 13 of the official Form 3 filed herein for additional details	81,500.00
Suit filed in Harris County, Texas entitled John Mecom Vs. Union Oil Company of California. This suit has been pending four or five years, and claims the right to an undivided interest in concessions in the Persian Gulf area under the terms of a joint venture agreement entered into between John Mecom and Pure Oil Company which was later acquired by Union Oil Company of California	Speculative
TOTAL - Schedule B-3 - Unliquidated Claims	$ 81,500.00

PETITIONER

PETITIONER

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SCHEDULE B-5

PROPERTY CLAIMED AS EXEMPT FROM THE OPERATION OF THE ACT OF CONGRESS RELATING TO BANKRUPTCY

DESCRIPTION	VALUATION
(1) All wearing apparel and adornments, all books of trade, Section 3835 Vernon's Texas Statutes	
(2) Current wages for personal services, Section 3835 Vernon's Texas Statutes.	
(3) The homestead at 2960 Lazy Lane, Houston, Texas, including all household furniture, library, and all family portraits and pictures, Section 3832 Vernon's Texas Statutes, and Texas Constitution, Article 16, Section 51.	
(4) 1 Automobile, Section 3832 Vernon's Texas Statutes.	
(5) Truck, Section 3832 Vernon's Texas Statutes.	
(6) 2 Horses, Section 3832 Vernon's Texas Statutes.	
(7) Cash Surrender value of Life Insurance Policies.	

Petitioner

Petitioner

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SCHEDULE B - 6

Books, papers, deeds and writings relating to debtor's business and estate.

All Books, papers, deeds are kept in the records of the Debtor's at the Mecom Building, 1500 Gray Street, Houston, Texas.

The books are under the control of Mr. Connie Davidson. The deeds and other papers are in other parts of the building under the control of various persons. Mr. Davidson can direct the Receiver or other parties of interest to the appropriate person for various deeds and papers which might be needed in connection with these proceedings.

Petitioner Petitioner

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OATH TO SCHEDULE B

STATE OF TEXAS

COUNTY OF HARRIS

We, Mary Elizabeth Mecom and John W. Mecom, Sr., the persons who subscribed to the foregoing schedule, do hereby make solemn oath that the said schedule is a statement of all our debts, in accordance with the Act of Congress relating to bankruptcy, according to the best of our knowledge, information, and belief.

Petitioner
Mary Elizabeth Mecom

Petitioner
John W. Mecom, Sr.

Subscribed and sworn to before me
this 1st day of February, 1971.

Notary Public

LOUISE L. PERDUE
Notary Public in and for Harris County, Texas

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SUMMARY OF DEBTS AND ASSETS

(From the statements of the debtor in Schedule A and B.)

			$	
Schedule A	1-a	Wages.	9,587	66
Schedule A	1-b (1)	Taxes due United States.	1,345	90
Schedule A	1-b (2)	Taxes due States.	14,092	47
Schedule A	1-b (3)	Taxes due counties, districts and municipalities.		
Schedule A	1-c (1)	Debts due any person, including the United States, having priority by laws of the United States.		
Schedule A	1-c (2)	Rent having priority.		
Schedule A	2	Secured claims.	2,927,857	12
Schedule A	3	Unsecured claims.	783,606	49
Schedule A	4	Notes and bills which ought to be paid by other parties thereto.		
Schedule A	5	Accommodation paper.	96,315,318	67
		Schedule A, Total	$100,051,808	61
Schedule B	1	Real estate.	4,312,303	50
Schedule B	2-a	Cash on hand.	207,398	37
Schedule B	2-b	Negotiable and non-negotiable instruments and securities.	35,467,463	37
Schedule B	2-c	Stock in trade.		
Schedule B	2-d	Household goods.	1,701,765	79
Schedule B	2-e	Books, prints, and pictures.	5,900	00
Schedule B	2-f	Horses, cows, and other animals.	319,340	00
Schedule B	2-g	Automobiles and other vehicles.	25,000	00
Schedule B	2-h	Farming stock and implements.		
Schedule B	2-i	Shipping and shares in vessels.	220,417	54
Schedule B	2-j	Machinery, fixtures, and tools.	3,175,698	15
Schedule B	2-k	Patents, copyrights, and trade-marks.		
Schedule B	2-l	Other personal property.	151,255	00
Schedule B	3-a	Debts due on open accounts.	3,126,475	42
Schedule B	3-b	Policies of insurance.		
Schedule B	3-c	Unliquidated claims.	81,500	00
Schedule B	3-d	Deposits of money in banks and elsewhere.		
Schedule B	4	Property in reversion, remainder, expectancy or trust.		
Schedule B	5	Property claimed as exempt.		
Schedule B	6	Books, deeds and papers.		
		Schedule B, Total	$48,784,517	14

Petitioner
Mary Elizabeth Mecom

John W. Mecom
Petitioner
John W. Mecom, Sr.

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IN THE UNITED STATES DISTRICT COURT

FOR THE WESTERN DISTRICT OF LOUISIANA

LAKE CHARLES DIVISION

FILED
MAR 22 1971
U. S. DISTRICT COURT
WEST. DIST. OF LOUISIANA
LeROY SMALLENBERGER
REFEREE IN BANKRUPTCY

IN THE MATTER OF

JOHN W. MECOM, SR. and
MARY ELIZABETH MECOM,

Debtors

IN BANKRUPTCY

NO. 24,214

(CHAPTER XI, ARRANGEMENT)

Transcript of proceedings before the Honorable LeRoy Smallenberger, Referee in Bankruptcy, at Lake Charles, Louisiana, on February 24, 1971, in re initial meeting of creditors.

APPEARANCES:

MR. JOEL W. COOK of Schlanger, Cook & Cohn,
Southern Title Building, 1415 Fannin St.,
Houston, Texas 77002 713-224-8141
Attorney for Mr. Israel Proler
and Proler Steel Corporation

MESSRS. EDWARD M. CARMOUCHE,
CHARLES W. CARWILE AND EDW. J. HUNTER of
Camp, Carmouche, Palmer, Carwile & Barsh
416 Pioneer Building, P. O. Drawer 2001
Lake Charles, La. 70601 318-433-0355
Attorneys for the Debtors

MR. CLARENCE L. YANCEY of
Cook, Clark, Egan, Yancey & King
Commercial National Bank Building
P. O. Box 77, Shreveport,
Louisiana 71104 318-423-6277
Attorney for Marion L. Martin & Co.

GENERAL SERVICES ADMINISTRATION
National Archives and Records Service

To all [illegible] these presents shall come, Greeting:

[illegible] of the authority vested in me by the Administrator [illegible] behalf, under the seal of the United States General [illegible] that [illegible] reproduction(s) is a true and correct copy of docu[illegible]

SIGNATURE Donald W. Tripp
NAME Donald W. Tripp
DATE 5-18-76
TITLE Director
NAME AND ADDRESS OF DEPOSITORY
FEDERAL ARCHIVES AND RECORDS CENTER
P. O. BOX 6216
FORT WORTH, TEXAS 76115

GSA FORM APR 66 6791E

DEFENDANT

EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.

BB id

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APPEARANCES (CONTINUED):

MR. RICHARD B. SADLER, JR. of
Provosty & Sadler, 601 Guaranty Building
Alexandria, Louisiana 71301 318-445-3631
Attorney for Co-Receivers,
William C. Sandoz & Ike Hoskins

MR. WILLIAM C. SANDOZ
138 West Landry Street
Opelousas, Louisiana 70570 318-942-5078
Co-Receiver in Arrangement proceedings

MR. IKE HOSKINS
Lake Charles, Louisiana 70601
Co-Receiver in Arrangement proceedings

MR. WILLIAM M. MEYERS of
Liskow & Lewis, 225 Baronne Street,
New Orleans, Louisiana 70112 504-525-8553
First City National Bank of Houston
and The Bank of Nova Scotia

MR. WALTER J. MORRISON of Fulbright, Crocker,
Freeman, Bates and Jaworski, 8th Floor
Bank of the Southwest Building
Houston, Texas 77002 713-224-7070
Attorney for Mobil Oil Corporation

MR. RICHARD W. BUSSOFF of
Monroe & Lemann, 1424 Whitney Building
New Orleans, Louisiana 70130 504-525-8181
Attorney for W. B. Barnette, Inc.

MR. OLIN G. WELLBORN of
Wellborn & Britt, Alvin State Bank Bldg.
Alvin, Texas 77511 713-331-4441
Attorney for Mr. and Mrs. G.F.Plummer

MR. JOHN C. IRWIN, General Attorney
for United States Steel Corporation
2001 North Lamar Street
Dallas, Texas 75202 214-747-8921
Attorney for U. S. Steel Corp.

OTHERS PRESENT:

Mr. E. W. Vincent of Tommy's Lumber Sales,
P. O. Box 953, Sulphur, Louisiana

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Mr. R. N. Killman, So. Region Cr. Mgr.
Halliburton Services of Halliburton Company
Duncan, Oklahoma

Mr. W. R. Butt, Jr., Asst. Cr. Mgr
5000 Gulf Freeway, Houston, Texas and
Mr. R. C. Hines, 1900 Beck Building
Shreveport, Louisiana of
Schlumberger Well Services

Mr. E. C. Molner of Gray Tool Company
P. O. Box 2291, Houston, Texas 77001

Mr. John Adams of Wilson Industries
P. O. Box 1492, Houston, Texas 77001

Mr. C. D. Fudge of Texas Iron Works, Inc.
P. O. Box 35377, Houston, Texas 77035

Mr. Charles Cox of Dresser Industries
P. O. Box 6504, Houston, Texas 77001

REPORTED BY:

Mrs. Dorothy C. Farley
903 River Road
Shreveport, Louisiana 71105
Court Reporter

* *

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THE REFEREE: Court will come to order. Now let's get the appearances of all the attorneys. Speak into your nearest microphone and give your name, address and telephone number. We may want to call you.

(Appearances are listed on pages 1 and 2.)

THE REFEREE: Since we have such a very few creditors, I usually pass around the tablet for you to sign, but I'll allow you to come up and and announce your firm and who you are and address.

(Creditors representatives are listed on page 3.)

THE REFEREE: All right, I will now read the notice. This is in the matter of John W. Mecom, Sr. and Mary Elizabeth Mecom, debtors, No. 24,214, proceedings for an arrangement under Chapter XI. Notice is hereby given that John W. Mecom, Sr., and Mary Elizabeth Mecom have filed a petition in this court, seeking an arrangement with their creditors pursuant to Chapter XI of the Bankruptcy Act on December 3, 1970. The debtors state in their petition that they intend to file a plan for submission to their creditors. Upon application and for cause shown, the debtors were allowed an extension of time within which to file detailed schedules required, and Ike Hoskins

A 1057

of Lake Charles was appointed Receiver by the Court on January 27, 1971, and William C. Sandoz of Opelousas was appointed Co-Receiver by the Court. A summary of assets and liabilities filed with the petition show assets of $48,784,5 7.14 and liabilities of $100,051,808.61. Notice is further given that the initial meeting of creditors will be held before the Referee in Bankruptcy in the Federal Building, Lake Charles, Louisiana, on this date at this time. At said meeting, the creditors may file proof of claims, examine the affairs of the debtors, hear witnesses on any relevant matter pertaining to the proceedings, and other proceedings will be had in accordance with Chapter XI. Consideration will be given by the Referee on setting an indemnity bond in conformance with section 326 and 327 of the Bankruptcy Act. If the debtors have not filed their plan by the date of said meeting, a time for filing the plan will be fixed by the Court. Now, I have another statement that I want to read, and it's an order by the Court down in New Orleans and it was in the matter of U. S. Oil of Louisiana, Incorporated, and in the matter of Lake Washington, Incorporated. (Reads) The Court having made preliminary determination, for reasons to be later assigned, that transfer to this district of the

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Chapter XI proceedings instituted by John Mecom, Sr., and Mary Elizabeth Mecom under No. 24,214 of the United States District Court for the Western District of Louisiana as sought by movers, and for reasons of fact or necessity may properly be made, it is ordered that an evidentiary hearing on the pending motion to transfer said proceedings to this district is set for Friday, February 26, 1971, at 10:00 a.m. (End.) Now Mr. Meyers, do you desire to introduce your--?

MR. MEYERS: Yes, Your Honor, I'm William M. Meyers, representing the First City National Bank of Houston and The Bank of Nova Scotia. I believe that the court is aware of the proceedings pending in the Eastern District and the application for the transfer of these proceedings to the Eastern District which have been made before the Court of that District by the First City National Bank of Houston, the Bank of Nova Scotia and The Prudential Insurance Company of America. I would like to, with permission of the Court, file with the Court a copy of this application, which was filed with the United States District Court for the Eastern District of Louisiana, December 14, 1970, and in addition a copy of the order of the same Court, Judge Boyle, dated February 25 -- I'm sorry, dated February 17, 1971. I don't know if that's the correct

A 1059

date on here or not, Your Honor. It doesn't seem to have a date, but the hearing is set for February 26, 1971, at 10:00 a.m. I understand that hearing may be postponed. I would like to suggest to the Court that in view of General Order 6, the proceedings in this Court appear to be stayed, and we would respectfully suggest that in view of the pending application in the Eastern District Court that no matters of substance be considered at this hearing. Thank you, sir.

THE REFEREE: Well, I've considered the General Orders, and I don't believe it's applicable. I was never served with that judgment. I had no way of knowing what the other Court was thinking the way it apparently is thinking, and it says "may", and I understand also that the lawyers have gotten together and are talking, and although I'm not particularly interested in going forward with this case and carrying it to a conclusion, it probably will end up that way from what I understand.

MR. MEYERS: It may well be, Your Honor, that the problem of the transfer may be resolved maybe hopefully today. We don't know yet. Thank you.

THE REFEREE: Well, we'll hopefully go forward with our proceedings, because I believe in getting things done. Next we'll have the filing of

claims. Are there any claims to be filed at this time?

MR. COOK: Your Honor, I would like to file these with you.

THE REFEREE: Just announce the claim you are filing and then you can hand them to Mrs. Farley.

MR. COOK: Proof of claim of the Proler Steel Corporation, which is an unsecured claim, and the claim of Israel Proler which is a secured claim. In connection, Your Honor, with the Israel Proler claim we are tendering to the Court our original documents with the request that they be compared to the copies which are attached to the claim and an order entered for the return of these documents to us.

THE REFEREE: Our system there is to allow the originals filed, and you write us a letter and I'll look them over and send them right back to you.

MR. COOK: All right, good. Thank you, sir.

MR. KILLMAN: I'm filing a proof of claim for Halliburton Company, secured by mechanic's and materialman's lien.

MR. BUTT: I have a proof of claim for Schlumberger. Did I understand you that the original instruments should be filed in the court?

THE REFEREE: They should be filed.

A 1061

MR. BUTT: And then we can recall them?

THE REFEREE: That's correct.

MR. BUTT: Is it all right if I leave the Xeroxes attached to it that I'd already prepared, or you want it separated out and just the originals left with you?

THE REFEREE: We get the originals.

MR. BUTT: I have them with me, but I had this other, and I didn't want to burden her with a lot of extra copies if you didn't need them.

THE REFEREE: Well, I have to have the originals.

MR. BUTT: I have those, Your Honor.

MR. IRWIN: If Your Honor please, I'm filing a claim in behalf of the Oilwell Division of United States Steel Corporation, an unsecured claim.

MR. BUSSOFF: Richard Bussoff from Monroe and Lemann. We are filing proofs of claim both as a secured priority and a priority debtor on behalf of William B. Barnett, Inc., and also I have a statement of attorney to file.

MR. VINCENT: I'm presenting proof of claim and copies of our liens against the debtor on behalf of Tommy's Lumber Sales.

MR. YANCEY: Proof of claim of Marion L.

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Martin and Company, Inc.

THE REFEREE: Are there any other claims to be filed? (No others filed.) Well, it's my opinion that the best way to start this type of hearing out is to have a statement by the attorney for the debtor. Mr. Carmouche, if you will, start. Take the witness stand here so you can talk to everybody freely and everybody can hear you. We won't swear you at this particular time.

MR. CARMOUCHE: Thank you. Well, Your Honor, I would appreciate having a few words with the debtors to assure them that with the exception of three claims, which we consider to be doubtful as having no legal merit, that all unsecured creditors will be paid 100 cents on the dollar in the very near future. I'd like to go a little into the background as to why this proceeding was filed and why the Chapter X proceeding was filed, because it's a most unusual case. I sincerely feel that the assets owned by John and Mary Elizabeth Mecom and the assets owned by their two corporations far exceed the debts that we're faced with, and I think that we will have a plan within the next two weeks to submit to this Court that will pay all the claims with the exception of the three doubtful ones. The three doubtful claims

A 1063

in our mind are first, King Resources, second, Occidental Petroleum, and third, Wolff. I don't even know if they've been filed with this court or not, but all other claims we recognize as being legitimate, and we will have a plan that I think will be satisfactory to everyone. Let me explain one further thing. I'm sure that all of the creditors were greatly disturbed when they saw the notice of this hearing that there were only $48,000,000 in assets and $100,000,000 in liabilities, but to explain this, the $100,000,000 in liabilities are composed $96,000,000 worth of debts against the corporation and against the oil runs of Lake Washington, Inc., and U. S. Oil of Louisiana, Inc., and they're also backed up by oil payments. Over here in the Chapter XI proceedings, there are really only $700,000 in unsecured debts, if you eliminate the King Resources claim. What this other $96,000,000 is, is a pledge or guaranty by John and Mary Elizabeth personally that the corporate debts will be paid, so there is really a total of only $105,000,000 in debts everywhere against all the entities and against the personal assets of John and Mary Elizabeth Mecom, so it's really a duplication of debt, and I wanted to reassure you on that point before we go forward. Now thus far in this proceeding there has been a negative

A 1064

cash flow, that is, more money has had to go out than has come in, and the reason for this was that Mr. Mecom was in the process of completing a second well down in the second Bayou Field down in Cameron Parish, Louisiana. That well has been completed. There are two wells on the lease, both of which have been tested and are capable of producing approximately 8 million cubic feet a day. We have been negotiating with five gas companies for the purchase of the gas, and I have one written offer to the Mecoms that I'd like to go into very briefly with the Court's permission, and that's from Natural Gas Pipeline Company of America. If we will allow them the reserves, that is, we commit the reserves for these two wells, they will connect the two wells to their pipeline at their expense, and they will make a prepayment to Mecom which will be immediately deposited in this Court of $510,000. The two wells will bring for the first sixty days an income of $4,043.00 a day or $121,000 a month. To get the prepayment, we have to commit one-half of the revenues, but it's a non-interest loan. In other words, to get $510,000 in cash we would commit half of the gross production from these wells to the Natural Gas Pipeline Company which will cut that $121,000 in half. All right, at the end of the 60 days, which is the emergency period, the price

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will then be cut back to the area rate which is 27 and a half cents instead of 30 cents, and that will bring in an income of $3643.00 a day or $109,000, netting $54,000 a month to this Court. So you see if we accept this one deal, that would be sufficient really to take care of all unsecured creditors within six months. Now, we have not accepted this deal as yet, because we think we can do better. We have an informal proposal that would give a bigger prepayment and would pay everybody off in cash immediately as far as the unsecured creditors are concerned, and we are still negotiating on it. But I did want the creditors to see that we have an offer in writing that would take care of everyone. I would like to explain very briefly why the Mecoms filed the X and XI proceedings at this point. It was not because of insolvency; it was because of three improvident loans that had been made to the big banks and insurance companies that required more cash than they had income, but the underlying value of the assets was great enough to where with the sale of some assets the thing could be restructured very promptly. The reason these two arrangements were filed was because the Mecoms felt, and in my opinion had good cause to feel, that assets were being sold at far less than their true value, and had we allowed this to continue

the unsecured creditors would have suffered as well as the Mecoms. We are not asking for a great deal of time. We think that within two weeks we can have a plan before this Court submitted for Your Honor's approval and for the approval of the creditors, so we feel very confident about this, that all of you gentlemen will be paid in a very, very short time. Thank you.

THE REFEREE: Thank you, Mr. Carmouche. All right, now I'll call Mr. Mecom to the stand please.

(WHEREUPON MR. MECOM WAS SWORN BY THE REFEREE.)

THE REFEREE: All right, the debtor has been sworn and is tendered for examination. Do you have any examination?

(THERE WAS NO EXAMINATION.)

THE REFEREE: Your attorney made such a fine talk that no one is going to ask you questions. You know, the Act says that I must ask you questions. Do you agree with everything that your attorney said?

THE WITNESS: Yes, sir, I do.

THE REFEREE: All right, that's the end of my questions. You may step down. Well, Mrs. Mecom, I don't think we need call you. No one questioned your husband; they always go after the man, never the woman, so I think you may be excused. Now, do you have any further witnesses that you'd like to put on?

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CERTIFICATE

I, DOROTHY CARR, a Notary Public, in and for the Parish of Caddo, State of Louisiana, DO HEREBY CERTIFY that the foregoing 34 typewritten pages constitute a true and correct transcript of my tape-recording of the proceedings at the time and place stated herein on Page one.

WITNESS MY HAND AND OFFICIAL SEAL at Shreveport, Caddo Parish, Louisiana, this 22d day of March, 1971.

Dorothy Carr

DOROTHY CARR, NOTARY PUBLIC
CADDO PARISH, LOUISIANA

MY COMMISSION IS FOR LIFE.

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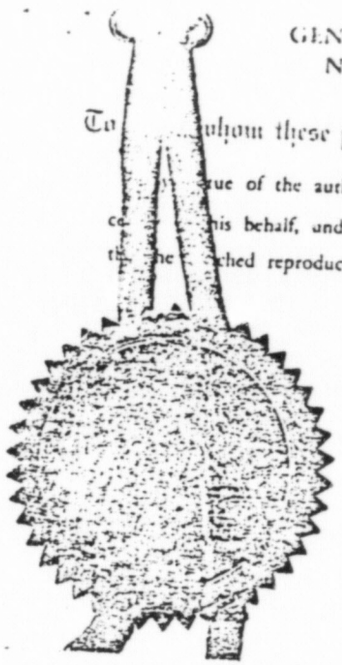

GENERAL SERVICES ADMINISTRATION
National Archives and Records Service

To [illegible] whom these presents shall come, Greeting:

[illegible]ue of the authority vested in me by the Administrator of Gen[illegible]
ce[illegible]his behalf, under the seal of the United States General Services
t[illegible]he [illegible]ched reproduction(s) is a true and correct copy of documents [illegible]

DEFENDANT

EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.

CC id

SIGNATURE

NAME
DONALD W. TRIPP 5-17-96

TITLE
DIRECTOR

NAME AND ADDRESS OF DEPOSITORY
FEDERAL ARCHIVES AND RECORDS CENTER
P. O. BOX 6216
FORT WORTH, TEXAS 76115

GSA FORM 6791E

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UNITED STATES DISTRICT COURT

WESTERN DISTRICT OF LOUISIANA

LAKE CHARLES DIVISION

IN THE MATTER OF	:	IN PROCEEDINGS FOR AN
JOHN W. MECOM, SR. and his wife	:	ARRANGEMENT
MARY ELIZABETH MECOM	:	NO. 24,214

DEBTORS

PETITION

TO THE HONORABLE LEROY SMALLENBERGER, REFEREE IN BANKRUPCTY FOR THE WESTERN DISTRICT OF LOUISIANA:

Now into Court through undersigned counsel comes IKE HOSKINS and WILLIAM C. SANDOZ, Co-Receivers and herein represented by their undersigned counsel, with respect shows this Honorable Court:

1.

On December 24, 1969, JOHN W. MECOM, SR., signed an agreement with KING RESOURSES COMPANY, hereinafter referred to as KRC-MECOM AGREEMENT. Under the terms of said agreement Mr. Mecom was purchasing from King Resourses Company an undivided one sixty-fourth (1/64) of King Resourses Company's working interest in certain Canadian Federal Oil and Gas exploration permits. The consideration was $2,609,120.50, $260,912.05 payable on execution of said contract with the balance payable in installments. Mr. Mecom was further to pay one-eighth (1/8) of the exploration costs until an additional $2,609,120.50 was paid and thereafter pay a ratable share of all future expenses relating to the permits. The total liability of Mr. Mecom under said contract is in excess of $10,000,000.00 with the contingency of additional expenditures if the exploration program required it, all as is more fully shown by a copy of a letter from King Resources Company to John W. Mecom, Sr. dated March 10, 1971 a copy of which is annexed hereto and marked Exhibit "A".

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2.

That Mr. Neal Marriott, an Attorney at Law in Houston, Texas, has after several months of negotiation worked out an agreement whereby Mr. & Mrs. John W. Mecom, Sr., Debtors herein, are relieved of all liability to the Colorado Corporation and King Resources Company with respect to said KRC-MECOM AGREEMENT, as shown by the letter from Mr. Neal Marriott addressed to Richard B. Sadler, Jr., dated May 21, 1971, wherein a settlement is recommended as being most advantageous to the Mecoms, said letter is annexed hereto and marked Exhibit "B".

3.

A copy of the proposed agreement releasing the Debtors from liability is annexed hereto and marked Exhibit "C", and your Petitioners request that they be authorized to execute said agreement for the reasons outlined above and further outlined in Exhibit "B" annexed hereto.

WHEREFORE, Petitioners pray that an order issue herein authorizing IKE HOSKINS and WILLIAM C. SANDOZ, Co-Receivers to execute the compromise agreement annexed hereto and marked Exhibit "C".

Prays further for all general and equitable relief.

RICHARD B. SADLER, JR.
Provosty & Sadler
601 Guaranty Bank Building
Alexandria, Louisiana 71301
Attorneys for IKE HOSKINS and
WILLIAM C. SANDOZ, Co-Receivers

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EXHIBIT "A"

MAR 17 1971

MECOM BLDG.

KING RESOURCES COMPANY

Security Life Building, Denver, Colorado 80202
Area Code 303 Telephone 892-7171

March 10, 1971

Mr. John W. Mecom
P. O. Box 2566
Houston, Texas 77001

Dear Mr. Mecom:

Our auditors, Arthur Andersen & Co. are presently engaged in an examination of our financial statements. In connection therewith, they desire to confirm the following amounts due us with respect to your purchase of certain Canadian Federal Oil and Gas Exploration Permits as described in that certain agreement of December 24, 1969, which were shown on our records at December 31, 1970 as follows:

1. Future payments due for permits	$2,348,208.45
2. Interest presently due on permits	None
3. Work obligations	$2,609,120.50
4. Interest presently due on 1970 work obligation billings	$175,318.41
5. Payment terms: Currently due for 1970 work obligations	$826,221.50
Remaining permit and work obligations	$4,131,107.50 payable in 10 equal installments of $413,110.75 each on the first days of June and October, 1971 through 1975. Such future installments are to be applied on exploration work until your share of costs of exploration shall have been paid; thereafter, all payments are to be applied on the purchase price.

CANADIAN DIVISION:
1400 Dresden House, Calgary, Alberta

ATLANTIC DIVISION:
50 State Street, Boston, Massachusetts 02109

EASTERN DIVISION:
700 Houston Natural Gas Building, Houston, Texas 77002
100 Park Avenue Building, Oklahoma City, Oklahoma 73102
710 Oil and Gas Building, New Orleans, Louisiana 70113

WESTERN DIVISION:
600 Denver Club Building, Denver, Colorado 80202
300 West Towers West, Midland, Texas 79701
310 Gateway West, Los Angeles, California 90017

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Please state in the space provided below whether or not the above is in agreement with your records as of December 31, 1970. If not, please furnish any information you may have which will assist the auditors in reconciling the difference.

After signing and dating your reply, please mail it directly to Arthur Andersen & Co., 1700 Broadway, Denver, Colorado 80202. A stamped, addressed envelope is enclosed for your convenience.

Sincerely,

KING RESOURCES COMPANY

Sam Burk
Assistant Controller

SB:bb

Arthur Andersen & Co.:

The above information is in agreement with our records at December 31, 1970 with the following exceptions (if any)_____
3/18/71 - This is not correct

Dated:_____ Signed:_____

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KING RESOURCES COMPANY
Security Life Building, Denver, Colorado 80202
Area Code 303 Telephone 892-7171

STATEMENT OF ACCOUNT
This is not an invoice

February 24, 1971

JOHN W. MECOM

INVOICE NO.	DATE	AMOUNT	PAYMENTS	BALANCE
0609054 - Installment due 6-1-70		$413,110.75		
0909045 - Installment due 10/1/70		413,110.75		
0909048 - Interest		119,439.74		
1209101 - Interest		55,878.67		
				$1,001,539.91

[redacted]

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NEAL MARRIOTT
ATTORNEY AT LAW

Tel. (713) 228-1702

1500 GRAY STREET
POST OFFICE BOX 2566
HOUSTON, TEXAS 77001

May 21, 1971

Richard B. Sadler, Jr. Esq.
Post Office Drawer 2001
Alexandria, Louisiana 71301

Re: Claims arising from Agreement of December 24, 1970, between John W. Mecom and King Resources Company re. Canadian Arctic Islands Leases

Dear Mr. Sadler:

A tentative agreement for settlement of this controversy has been reached with the attorneys represented The Colorado Corporation and Mr. John King, formerly chairman of the board of King Resources Company. I attach a counterpart of the proposed settlement agreement as approved by the parties.

So that you may better understand the proposed and merits of the settlement agreement, I will first briefly outline the background giving rise to the controversy.

On December 24, 1969, John W. Mecom, Sr. signed an agreement with King Resources, a copy of which has been heretofor furnished to you, and which I will herein refer to as KRC-Mecom Agreement.

Under the terms of the KRC-Mecom Agreement, Mr. Mecom was purchasing from King Resources Company an undivided 1/64 of King Resources Company's working interest in certain Canadian Federal Oil and Gas Exploration Permits. The consideration was $2,609,120.50, $260,912.05 payable on execution of the contract with a balance payable in installments. Mr. Mecom was further to pay 1/8 of exploration costs until an additional $2,609,120.50 was paid and thereafter pay a ratable share of all future expenses relating to the permits. The total liability Mr. Mecom under the King Resources Company Agreement is in excess of $10 million,

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with the contingency of additional expenditures if the exploration program required it. The break-down of this liability is shown on a copy of the request of Arthur Anderson & Company's request for verification a copy of which I am attaching.

The $260,912.05 initial cost was paid by Mr. Mecom to King Resources from $275,000 advanced to Mr. Mecom by the Colorado Corporation an affiliate of King Resources Company as a stand-by advance payment for use of certain drilling equipment of Mr. Mecom on an exploration program contemplated by King Resources Company or others. The drilling equipment was not thereafter used as contemplated. No further payments have been made by Mr. Mecom. The Colorado Corporation is making claim on both John W. Mecom and King Resources for repayment of this $275,000.

It is considered that the present value of the interest in these permits which Mr. Mecom would receive pursuant to the KRC-Mecom Agreement does not nearly offset the, liability which he would have under the KRC-Mecom Agreement. In addition, Mr. Mecom does not have the funds necessary to meet his obligation under the KRL-Mecom Agreement so as to protect and retain his interest.

The settlement would be accomplished as follows:

Mr. Mecom will assign to the Colorado Corporation the following:

a. All rights, titles and interest which he has or has a right to acquire through the agreement of December 24, 1969 between King Resources Company and John W. Mecom,
b. The right or claim, if any, which Mr. Mecom has against King Resources on account of King Resources Company having made farmout of portions of the acreage without any consent of Mr. Mecom and,
c. Additional oil and gas leases unconsequential, or no value, to Mr. Mecom.

The Colorado Corporation will, as consideration for this assignment:

a. Cancel the indebtedness of Mecom, if any, to The Colorado Corporation for the $275,000. a portion of which was used by Mecom as the initial payment to King Resources Company,

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b. Assume all of Mecom's obligation and liability to King Resources Company under the agreement of December 24, 1969 and,

c. Agree to protect and hold harmless Mecom against any continuing liability or claims that may be made on Mecom arising out of the contract.

Negotiations for settlement of this matter have been pursued over a long period commencing prior to Mr. Mecom's petition pursuant to Chapter XI of the Bankruptcy Act and were continued at the request of the Receiver after the Arrangement.

It is my opinion based on many intimate knowledge of this matter that this proposed settlement is highly advantageous to the estate of John W. Mecom, Sr. and Mary Elizabeth Mecom and to the advantage of the creditors. I recommend its acceptance and approval.

The proposed settlement has been discussed with, and approved by, the co-receivers as well as Mr. and Mrs. Mecom. Mr. and Mrs. Mecom will evidence their approval by executing the Settlement Agreement.

Yours very truly,

Neal Marriott

NM:jf

cc: Mr. Wm. C. Sandoz
Mr. I. W. Hoskins, Trustee
Mr. John W. Mecom
Mrs. John W. Mecom
Edward M. Carmouche Esq.
Moise Steeg Esq.

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AGREEMENT

BY THIS AGREEMENT by and between IKE HOSKINS and WILLIAM C. SANDOZ, acting in the capacity hereinafter recited, herein referred to as "Mecom Interest", and The Colorado Corporation, a Corporation with principal offices in Denver, Colorado:

WITNESSETH:

The parties hereto, for the purpose of this agreement only, stipulate to the following:

(1) A true copy of agreement entered into under date of 24th day of 1969 between King Resources Company and John W. Mecom, consisting of 4 pages of text 14 pages of exhibit, herein called "KRC-MECOM AGREEMENT", has heretofore been received by The Colorado Corporation; and Mecom Interest represents it to be the entire and only agreement between John W. Mecom and King Resources Company pertaining to the subject of such agreement.

(2) Upon execution of the KRC-MECOM AGREEMENT Mecom paid to King Resources Company the initial consideration of $260,912.05.

(3) The $275,000.00 was advanced to Mecom stand-by payment as a stand by payment for the use of certain drilling equipment of Mecom Interests on an exploration program contemplated by King Resources Company or others and that the drilling equipment was not there after used as contemplated.

NOW THEREFORE, for the mutual considerations herein expressed the parties hereto covenant and agree as follows:

1.

Mecom Interest has sold and does transfer and assign to The Colorado Corporation, and The Colorado Corporation has purchased and takes assignment of, upon the terms and conditions and for the consideration hereinafter recited, the following:

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a. All right, title, interest and privileges of Mecom Interest in, to, under, and by virtue of the KRC-MECOM AGREEMENT, expressly subject to and burdened with all of the liabilities and obligations of Mecom Interest, under and by virtue of said KRC-MECOM AGREEMENT.

b. All claims, demands and causes of action of whatsoever kind which Mecom Interest has or may have against King Resources Company in any manner arising out of the KRC-MECOM AGREEMENT or any of the transactions pertaining to the KRC-MECOM AGREEMENT, including by way of illustration, but expressly not limited to, any claim, action or cause of action which may exist or which may arise by reason of King Resources Company having assigned, released, or relinquished, or otherwise encumbered or alienated, without having first secured the consent of Mecom Interest, certain oil and gas exploration permits or leasehold interests; with full authority to demand and receive the same to their own use but at their own cost and charge without cost, expense, or liability to Mecom Interest.

c. The following oil, gas and mineral leases of lands in Galveston County, Texas, to wit:

(1) Lease dated May 14, 1968, between Burke Borders as Lessor and John W. Mecom as Lessee recorded in Oil and Gas Lease Records Vol. 1958 at pate 204 et seq.

(2) Lease dated May 14, 1968, between Adel Topp and I. H. Topp as Lessor and John W. Mecom as Lessee recorded in Oil and Gas Lease Records Vol. 1958 at page 206 et seq.

(3) Oil and gas interests as shown on Exhibit B

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...The Colorado Corporation, in consideration of the sale, and assign-
ments made by Mecom Interest, binds and obligates itself to:

a. Assume the position, obligations and liabilities of John W. Mecom and Mecom Interest in and under the KRC-MECOM AGREEMENT;

b. Protect and hold harmless Mecom Interest from all further obligations, liabilities or claims arising from the KRC-MECOM AGREEMENT; and

c. Cancel any indebtedness or liability Mecom Interest or John W. Mecom may have to The Colorado Corporation on account of the $275,000.00 advanced to John W. Mecom, in paragraphs (2) and (3) of the stipulations and protect and hold Mecom Interest from any claim that may be made by Royal Resources Corporation on account of such advance.

3.

Mecom Interest will furnish to The Colorado Corporation, for examination at Mecom's offices in Houston, all such contracts, title data and title information as Mecom Interest has in its possession pertaining to the properties and property interest assigned by Mecom Interest to The Colorado Corporation, but will be under no obligation to furnish additional title information or data. The Colorado Corporation shall have until Closing Date within which to make objections, if any, to said title, and if objections are made Mecom Interest shall have a reasonable time from the date such objections are made known in writing in which to cure such objections. If Mecom Interest is unable to furnish appropriate title curative matter to such objections this agreement shall, at the election of The Colorado Corporation, be terminated.

4.

The Colorado Corporation agrees to secure prior to, and furnish to Mecom Interest at, closing a written consent of King Resources Company to the assignment by Mecom Interest to The Colorado Corporation of Mecom Interest's right, title, and interest in the KRC-MECOM AGREEMENT and the substitution of The Colorado Corporation for Mecom Interest as to John W. Mecom's and Mecom Interest's obligations and liabilities under said

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...t. If The Colorado Corporation fails to furnish the foregoing items prior to or at closing this agreement shall, at the option of Mecom Interest, be cancelled and terminated or Mecom Interest may enforce specific performance of same.

5.

The parties hereto recognize that John W. Mecom (also known as John W. Mecom, Sr.) and Mary Elizabeth Mecom are seeking arrangements with their creditors pursuant to Chapter XI of the Bankruptcy Act in Cause No. 24214 in Proceedings for an Arrangement in the United States District Court for the Western District of Louisiana, Lake Charles Division and the Co-receivers executing this agreement for "Mecom Interest" are acting pursuant to their appointment in this proceeding and this Agreement is subject to the approval of the Court. Mecom Interest agrees to immediately submit this Agreement, together with appropriate information, for the Court's consideration. If the Court approves the Agreement it will become and be effective and it will be consumated and closed as herein provided. If the Court fails to approve the Agreement, it will not be effective and none of the parties hereto will have further obligation hereunder.

6.

Subject to the contingencies contained in the foregoing sections 3, 4 and 5, this transaction will be closed at 1500 Gray Street in Houston, Texas, at 10 A.M., on May 27, or at such different date, time and place as the parties may mutually agree upon. At closing all parties will execute and deliver all such further documents as may be required to fully effect and consumate this agreement.

7.

John W. Mecom (John W. Mecom, Sr.) and Mary Elizabeth Mecom have executed this document for the purpose of ratifying and confirming the acts of the co-receivers, and the term "Mecom Interest" as herein used will include John W. Mecom and Mary Elizabeth Mecom.

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This Agreement is to be signed in counterparts, and will be considered as having been fully executed by all Parties when all Parties have executed a counterpart even though all Parties have not executed the same counterpart.

Executed this 24th day of May, 1971.

Ike Hoskins, Co-Receiver, and

William C. Sandoz, Co-Receivers, in the matter of John W. Mecom, Sr. and Mary Elizabeth Mecom in arrangement pursuant to Chapter XI of the Bankruptcy Act

John W. Mecom, Sr.

Mary Elizabeth Mecom

THE COLORADO CORPORATION

By_____

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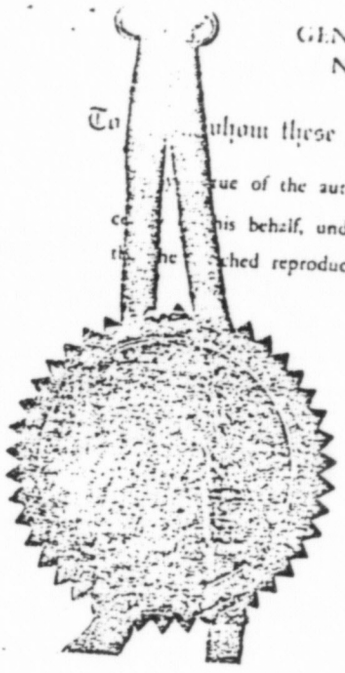

GENERAL SERVICES ADMINISTRATION
National Archives and Records Service

To [illegible] whom these presents shall come, Greeting:

[illegible]ue of the authority vested in me by the Administrator of Gen[illegible]
c[illegible] his behalf, under the seal of the United States General Services
th[illegible]he [illegible]ched reproduction(s) is a true and correct copy of documents [illegible]

DEFENDANT

EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.

CC

SIGNATURE: Donald W. Tripp
NAME: DONALD W. TRIPP
DATE: 5-17-76
TITLE: DIRECTOR
NAME AND ADDRESS OF DEPOSITORY:
FEDERAL ARCHIVES AND RECORDS CENTER
P. O. BOX 6216
FORT WORTH, TEXAS 76115

GSA [illegible] 6791E

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GENERAL SERVICES ADMINISTRATION
National Archives and Records Service

To all to whom these presents shall come, Greeting:

Pursuant to the authority vested in me by the Administrator of General Services, I certify on behalf, under the seal of the United States General Services Administration, that the attached reproduction(s) is a true and correct copy of documents in his custody.

SIGNATURE: Donald W. Tripp

NAME: Donald W. Tripp

DATE: 5-18-76

TITLE: Director

NAME AND ADDRESS OF DEPOSITORY:
FEDERAL ARCHIVES AND RECORDS CENTER
P. O. BOX 6216
FORT WORTH, TEXAS 76115

GSA FORM APR 68 6791E

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FILED
JUL 9 1971

IN THE UNITED STATES DISTRICT COURT

FOR THE WESTERN DISTRICT OF LOUISIANA

IN THE MATTER

OF

NO: 24,214 In A Proceeding
For An Arrangement

JOHN W. MECOM, SR., &
MARY ELIZABETH MECOM
Debtors

TO THE HONORABLE LEROY SMALLENBERGER, REFEREE IN BANKRUPTCY:

The petition of IKE HOSKINS and WILLIAM C. SANDOZ, Co-Receivers, with respect, represents:

I.

That JULIUS LOPEZ has been heretofore appointed as an appraiser to estimate the value of the assets of the debtors' estate.

II.

That although effort has been expended by your Co-Receivers and the appraiser in connection with this matter, there are still many uncertainties because of the extensive nature and location of the property of debtors, as well as the uncertainty of values of items, in view of the Chapter X and Chapter XI proceedings which are pending in the Eastern District of Louisiana, and in this connection, no value has been assigned to the properties involved in these proceedings at this time.

III.

That petitioners desire to supplement and amend the inventory and appraisement upon the completion of these proceedings to include the values thereof.

IV.

That your petitioners request permission to file the inventory and appraisement of the assets which are presently in the sum of $11,504,294.80 with full reservation to correct, supplement and amend the inventory and appraisement.

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WHEREFORE, your petitioners pray that they be allowed to file the enclosed inventory and appraisement with full reservation to supplement, amend and correct same.

IKE HOSKINS and WILLIAM C. SANDOZ
Co-Receivers

BY: W C Sandoz
Co-Receiver

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IN THE UNITED STATES DISTRICT COURT

FOR THE WESTERN DISTRICT OF LOUISIANA

IN THE MATTER

OF

JOHN W. MECOM, SR., &
MARY ELIZABETH MECOM
De[illegible]s

NO: 24, 214 In A Proceedings
For An Arrangement

ORDER

On considering the above and foregoing petition of the Co-Receivers and it appearing proper in the premises:

IT IS ORDERED that the attached inventory and appraisement be and the same is hereby allowed filed with full reservation to supplement and alter said inventory and appraisement if circumstances and future developments so warrant.

Shreveport, Louisiana, this 9th day of the month of July, 1971.

LeRoy Smallenberger
REFEREE IN BANKRUPTCY

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IN THE UNITED STATES DISTRICT COURT

FOR THE WESTERN DISTRICT OF LOUISIANA

IN THE MATTER

OF

NO: 24,214 In A Proceeding
For An Arrangement

JOHN W. MECOM, SR., &
MARY ELIZABETH MECOM
Debtors

INVENTORY AND APPRAISEMENT

I, the undersigned, having been notified that I was appointed to estimate and appraise the real and personal property of the debtors, have attended to the duties assigned me, and after strict examination and careful inquiry, I do estimate and appraise the same as follows:

REAL ESTATE - TEXAS

Description	Appraised Value
Site E, Homewoods in the River Oaks Addition to the City of Houston, in Harris County, Texas, and bearing municipal No. 2960 Lazy Lane, Houston, Texas. This is the homestead of Mr. & Mrs. John W. Mecom, Sr.	$ 400,000.00
Lot 9, Block 2, Dudley Place, Division C of Houston, Texas	11,000.00
Martin Dunman League, consisting of a 50 acre tract in Galveston County, Texas	6,500.00
Lot 79 Amburn Boat Basin, consisting of a 1 acre tract in Galveston County, Texas	2,000.00
George Hodges Survey Tract, 7, 8, and 9, consisting of 2.97 acres in Galveston County, Texas	3,000.00
Lot 3 Block 98 of the A. Edwards Survey, consisting of a 5 acre tract in Galveston County, Texas	100.00
Seven acres out of J.H. Stengle, a 50 acre tract, and Lot 16 of Block 2, consisting of a total of 17.80 acres in Liberty County, Texas	10,000.00
Survey 193 being ½ of a 5 acre tract in H. & T. C. R.R. Co. in Liberty County, Texas	400.00
A ½ interest in a 5 acre tract in the H. & T.C. R.R. Tract 28 in Liberty County, Texas	400.00
A 1 acre tract of the Jessie Devre League Tract 16 N. Daigle 1 in Liberty County, Texas	200.00

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Description	Appraised Value
Part of East ½ of the Francis Smith Survey, located in Liberty County, Texas, and consisting of a 15 acre tract	$ 1,500.00
½ interest in Lots 2 and 3 in Block 43 of City of Liberty, located in Liberty County, Texas, and consisting of a 20 acre tract.	2,000.00
A tract consisting of 2.95 acres in the H. & T. C. R. R. Survey in Liberty County, Texas	400.00
35/72 of 39.6 acres in H. & T.C.R.R. Survey #179 in Liberty County, Texas	5,000.00
H. & T.C.R.R. Co. Survey #135 - J.J. Bolderack, consisting of a 5 acre tract in Liberty County, Texas	500.00
H. & T.C.R.R. Section 179, being a ½ interest in 13.25 acres in Liberty County, Texas	1,750.00
W.S. Swilley Survey, consisting of an 18 acre tract in Liberty County, Texas	5,000.00
Real estate where Stevens Interiors is located on Wauh Drive, being Lot 6 and the East 45' of Lot 7, Block 8, Hyde Park Annex, Houston, Harris County, Texas	11,000.00

REAL ESTATE - COLORADO

Description	Appraised Value
Ranch property located in Los Animos County, Colorado, being approximately 2,400 acres, being in Sections 17, 18, 19 and 20, and Lots 4, 5, 7 and 8 in Sections 31 and 32	$ 400,000.00

SURFACE LEASES - COLORADO

Description	Appraised Value
54,000 acres of land are leased by debtors in Los Animos County, Colorado, from Colorado Fuel and Iron Company, for a consideration of $26,000.00 annually.	NONE

TOTAL REAL ESTATE----- $ 860,750.00

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INTEREST IN REAL ESTATE

NON-PRODUCING LEASES

Description			Appraised Value
Lease #	Royalty Name	Location	
4356	Joyce Tract	Cameron Parish, Louisiana	$ 2,000,000.00
4360	Peter Constance Tract	Cameron Parish, Louisiana	8,500.00
4361	J.A. Davis	Cameron Parish, Louisiana	1,750.00
4362	L.R. Henry Tract	Cameron Parish, Louisiana	17,200.00
4363	Cameron Parish School Board	Cameron Parish, Louisiana	600.00
	King Resources Canadian Leases	Alaska - North Slope	NONE
TOTAL NON-PRODUCING LEASES-----			$ 2,028,050.00

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USA 33s - 475
(ED. 4-23-71)

DEFENDANT

EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.

EE id

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UNITED STATES DISTRICT COURT
DENVER, COLORADO

MAY 5 1972

G. WALTER BOWMAN
CLERK

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF COLORADO

IN THE MATTER OF:	]	IN PROCEEDINGS FOR
KING RESOURCES COMPANY and INTERNATIONAL RESOURCES LIMITED, Debtors.	]]]]	REORGANIZATION OF CORPORATIONS.
	]	No.'s 71-B-2921 and 72-B-644.

SUPPLEMENTAL ANSWER OF

JOHN W. MECOM
and
WILLIAM C. SANDOZ, Co-Receiver

TO TRUSTEE'S APPLICATION No. 24

TO THE HONORABLE COURT:

The Respondents, John W. Mecom (also known as John W. Mecom, Sr.) and William C. Sandoz, Co-Receiver in the Matter of John W. Mecom, Sr. and Mary Elizabeth Mecom, Debtors, in Proceedings for an Arrangement in Cause No. 24,214 in the District Court of the United States for the Western District of Louisiana, Lake Charles Division, with leave of Court first half, subject to and without waiving the Answer of John W. Mecom and William Sandoz, Co-Receiver here before filed, for further and supplemental answer to Trustee's Application No. 24, respectfully shows:

1. Pursuant to an agreement entered into as of May 24, 1971, (copy attached as Exhibit "A") by an Assignment dated May 30, 1971, (copy attached as Exhibit "B"), Respondents John W. Mecom, William C. Sandoz, and Ike Hoskins, Co-Receivers in the Matter of John W. Mecom, Sr. and Mary Elizabeth Mecom in reorganization to the Bankruptcy Act sold, transferred, assigned, and set over unto The Colorado Corporation all of the rights, titles, interest, and privileges of John W. Mecom (also known as John W. Mecom, Sr.) and the Estate of John W. Mecom, Sr. and Mary Elizabeth

Mecom, in, to, and under the Agreement between King Resources Company and John W. Mecom dated December 24, 1969, being the Agreement that is the subject matter of the Trustee's Application No. 24, a copy of the Assignment of said Agreement being attached hereto.

2. The Respondents John W. Mecom (also known as John W. Mecom, Sr.) and the Estate of John W. Mecom, Sr. and Mary Elizabeth Mecom are without interest and further without liability in, to, and under said Agreement.

WHEREFORE, these Respondents pray that:

(a) This Court recognize the interest of The Colorado Corporation in, to, and under said Agreement between John W. Mecom and King Resources Company dated December 24, 1969; and,

(b) The Respondents John W. Mecom (also known as John W. Mecom, Sr.) and the Estate of John W. Mecom, Sr. and Mary Elizabeth Mecom be dismissed from this proceeding.

Neal B. Marriott
608 Cullen Center Bank Bldg.,
Houston, Texas 77002
Telephone: (713) 228-1702

A1093 Exhibit A A 1093

AGREEMENT

BY THIS AGREEMENT by and between IKE HOSKINS and WILLIAM C. SANDOZ, acting in the capacity hereinafter recited, herein referred to as "Mecom Interest", and The Colorado Corporation, a Corporation with principal offices in Denver, Colorado:

W I T N E S S E T H:

The parties hereto, for the purpose of this agreement only, stipulate to the following:

(1) A true copy of agreement entered into under date of 24th day of 1969 between King Resources Company and John W. Mecom, consisting of 4 pages of text 14 pages of exhibit, herein called "KRC-MECOM AGREEMENT", has heretofore been received by The Colorado Corporation; and Mecom Interest represents it to be the entire and only agreement between John W. Mecom and King Resources Company pertaining to the subject of such agreement.

(2) Upon execution of the KRC-MECOM AGREEMENT Mecom paid to King Resources Company the initial consideration of $260,912.05.

(3) The $275,000.00 was advanced to Mecom stand-by payment as a stand by payment for the use of certain drilling equipment of Mecom Interests on an exploration program contemplated by King Resources Company or others and that the drilling equipment was not there after used as contemplated.

NOW THEREFORE, for the mutual considerations herein expressed the parties hereto covenant and agree as follows:

1.

Mecom Interest has sold and does transfer and assign to The Colorado Corporation, and The Colorado Corporation has purchased and takes assignment of, upon the terms and conditions and for the consideration hereinafter recited, the following:

a. All right, title, interest and privileges of Mecom Interest in, to, under, and by virtue of the KRC-MECOM AGREEMENT, expressly subject to and burdened with all of the liabilities and obligations of Mecom Interest, under and by virtue of said KRC-MECOM AGREEMENT.

b. All claims, demands and causes of action of whatsoever kind which Mecom Interest has or may have against King Resources Company in any manner arising out of the KRC-MECOM AGREEMENT or any of the transactions pertaining to the KRC-MECOM AGREEMENT, including by way of illustration, but expressly not limited to, any claim, action or cause of action which may exist or which may arise by reason of King Resources Company having assigned, released, or relinquished, or otherwise encumbered or alienated, without having first secured the consent of Mecom Interest, certain oil and gas exploration permits or leasehold interests; with full authority to demand and receive the same to their own use but at their own cost and charge without cost, expense, or liability to Mecom Interest.

c. The following oil, gas and mineral leases of lands in Galveston County, Texas, to wit:

(1) Lease dated May 14, 1968, between Burke Borders as Lessor and John W. Mecom as Lessee recorded in Oil and Gas Lease Records Vol. 1958 at pate 204 et seq.

(2) Lease dated May 14, 1968, between Adel Topp and I. H. Topp as Lessor and John W. Mecom as Lessee recorded in Oil and Gas Lease Records Vol. 1958 at page 206 et seq.

(3) Oil and gas interests as shown on Exhibit B

A 1095

The Colorado Corporation, in consideration of the Sale, and assignments made by Mecom Interest, binds and obligates itself to:

a. Assume the position, obligations and liabilities of John W. Mecom and Mecom Interest in and under the KRC-MECOM AGREEMENT;

b. Protect and hold harmless Mecom Interest from all further obligations, liabilities or claims arising from the KRC-MECOM AGREEMENT; and

c. Cancel any indebtedness or liability Mecom Interest or John W. Mecom may have to The Colorado Corporation on account of the $275,000.00 advanced to John W. Mecom, in paragraphs (2) and (3) of the stipulations and protect and hold Mecom Interest from any claim that may be made by Royal Resources Corporation on account of such advance.

3.

Mecom Interest will furnish to The Colorado Corporation, for examination at Mecom's offices in Houston, all such contracts, title data and title information as Mecom Interest has in its possession pertaining to the properties and property interest assigned by Mecom Interest to The Colorado Corporation, but will be under no obligation to furnish additional title information or data. The Colorado Corporation shall have until Closing Date within which to make objections, if any, to said title, and if objections are made Mecom Interest shall have a reasonable time from the date such objections are made known in writing in which to cure such objections. If Mecom Interest is unable to furnish appropriate title curative matter to such objections this agreement shall, at the election of The Colorado Corporation, be terminated.

4.

The Colorado Corporation agrees to secure prior to, and furnish to Mecom Interest at, closing a written consent of King Resources Company to the assignment by Mecom Interest to The Colorado Corporation of Mecom Interest's right, title, and interest in the KRC-MECOM AGREEMENT and the substitution of The Colorado Corporation for Mecom Interest as to John W. Mecom's and Mecom Interest's obligations and liabilities under said

contract. If The Colorado Corporation fails to furnish the foregoing items prior to or at closing this agreement shall, at the option of Mecom Interest, be cancelled and terminated or Mecom Interest may enforce specific performance of same.

5.

The parties hereto recognize that John W. Mecom (also known as John W. Mecom, Sr.) and Mary Elizabeth Mecom are seeking arrangements with their creditors pursuant to Chapter XI of the Bankruptcy Act in Cause No. 24214 in Proceedings for an Arrangement in the United States District Court for the Western District of Louisiana, Lake Charles Division and the Co-receivers executing this agreement for "Mecom Interest" are acting pursuant to their appointment in this proceeding and this Agreement is subject to the approval of the Court. Mecom Interest agrees to immediately submit this Agreement, together with appropriate information, for the Court's consideration. If the Court approves the Agreement it will become and be effective and it will be consumated and closed as herein provided. If the Court fails to approve the Agreement, it will not be effective and none of the parties hereto will have further obligation hereunder.

6.

Subject to the contingencies contained in the foregoing sections 3, 4 and 5, this transaction will be closed at 1500 Gray Street in Houston, Texas, at 10 A.M., on May 27, or at such different date, time and place as the parties may mutually agree upon. At closing all parties will execute and deliver all such further documents as may be required to fully effect and consumate this agreement.

7.

John W. Mecom (John W. Mecom, Sr.) and Mary Elizabeth Mecom have executed this document for the purpose of ratifying and confirming the acts of the co-receivers, and the term "Mecom Interest" as herein used will include John W. Mecom and Mary Elizabeth Mecom.

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This Agreement is to be signed in counterparts, and will be considered as having been fully executed by all Parties when all Parties have executed a counterpart even though all Parties have not executed the same counterpart.

Executed this 24th day of May, 1971.

Ike Hoskins

Ike Hoskins, Co-Receiver, and

William C. Sandoz

William C. Sandoz, Co-Receivers, in the matter of John W. Mecom, Sr. and Mary Elizabeth Mecom in arrangement pursuant to Chapter XI of the Bankruptcy Act

John W. Mecom

John W. Mecom, Sr.

Mary Elizabeth Mecom

Mary Elizabeth Mecom

THE COLORADO CORPORATION

By Stanley B. Nelson
VICE PRESIDENT

A1098

A 1098

ARTHUR ANDERSEN & CO.

1/8/75

FOR
Consolidated Oil & Gas Exploration Permits
Confirmations
Fiscal 12-31-69

KING RESOURCES COMPANY

Security Life Building, Denver, Colorado 80202
Area Code 303 Telephone 892-7171

January 20, 1970

Consolidated Oil and Gas, Inc.
1860 Lincoln Street
Denver, Colorado 80203

Gentlemen:

Our auditors, Arthur Andersen & Co., are now engaged in an examination of our financial statements. In connection therewith, they desire to confirm certain information at December 31, 1969, with respect to your purchase of certain Canadian Federal Oil and Gas Exploration Permits, which was shown on our records as follows:

Date of Agreement:	December 26, 1969
Interest purchased by Consolidated Oil & Gas, Inc.:	1/32nd of King Resources Company's working interest as set out on Exhibit A of Contract dated December 26, 1969.
Total purchase price of the permits:	$5,218,242
Downpayment made prior December 31, 1969:	$ 443,550
Future payments due:	Six equal installments of $795,782 each on the 30th days of June and December of 1973 through 1975
Interest on future payments:	6% per annum from December 26, 1969
Work obligation payment terms:	As billed by King Resources Company and upon completion of segments of work under the exploration program, provided that Consolidated may defer payment until after January 1, 1971, of Consolidated's proportionate share of a total work program which exceeds $5,000,000

Please state in the space provided whether or not this is in agreement with your records at that date. If not, please furnish any information you may have which will assist the auditors in reconciling the difference.

A1099

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After signing and dating your reply, please mail it directly to Arthur Andersen & Co., 1700 Broadway, Denver, Colorado 80202. A stamped, addressed envelope is enclosed for your convenience.

Very truly yours,

KING RESOURCES COMPANY

A. Rowland Boucher,
President

Arthur Andersen & Co.:

The above information is in agreement with our records at December 31, 1969, with the following exceptions (if any):

$443,950 was paid by Consolidated Oil & Gas, Inc.
on January 2, 1970

Signed: H. C. Gutjahr

Date: January 20, 1970

By: H. C. Gutjahr, Treasurer

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RECONFIRMATION OF CONSOLIDATED OIL & GAS

5-27-70

DENN

KING RESOURCES COMPANY

Security Life Building, Denver, Colorado 80202
Area Code 303 Telephone 892-7171

May 26, 1970

Consolidated Oil and Gas, Inc.
1860 Lincoln Street
Denver, Colorado 80202

Gentlemen:

Our auditors, Arthur Andersen & Co., desire to reconfirm certain information with respect to your purchase of certain Canadian Federal Oil and Gas Exploration Permits, which was shown on our records as follows:

Date of Agreement:	December 26, 1969
Interest purchased by Consolidated Oil & Gas, Inc.:	1/32nd of King Resources Company's working interest as set out on Exhibit A of Contract dated December 26, 1969
Total purchase price of the permits:	$5,218,242
Downpayment made in January, 1970:	$ 443,550
Future payments due:	Six equal installments of $795,782 each on the 30th days of June and December of 1973 through 1975
Interest on future payments:	6% per annum from December 26, 1969

CANADIAN DIVISION:
1300 Elveden House, Calgary, Alberta

ATLANTIC DIVISION:
28 State Street, Boston, Massachusetts 02109

EASTERN DIVISION:
700 Houston Natural Gas Building, Houston, Texas 77002
100 Park Avenue Building, Oklahoma City, Oklahoma 73102
710 Oil and Gas Building, New Orleans, Louisiana 70112

WESTERN DIVISION:
600 Denver Club Building, Denver, Colorado 80202
310 Wall Towers West, Midland, Texas 79701
310 Gal[illegible]

ARTHUR ANDERSEN & CO.

10/12/73

Signed _____

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Work obligation and payment terms:

Consolidated has a firm obligation to pay 25% of all exploration costs up to a total of $5,218,242 payable as billed by King Resources Company and upon completion of segments of work under the exploration program, provided that Consolidated may defer payment until after January 1, 1971, of Consolidated's proportionate share of a total work program which exceeds $5,000,000.

Please state in the space provided whether or not this continues to be in agreement with your records at this date. If not, please furnish any information you may have which will assist the auditors in reconciling the difference.

After signing and dating your reply, please mail it directly to Arthur Andersen & Co., 1700 Broadway, Denver, Colorado, 80202. A stamped addressed envelope is enclosed for your convenience.

Very truly yours,

KING RESOURCES COMPANY

A. Rowland Boucher
President

Arthur Andersen & Co.:

The above information is in agreement with our records with the following exceptions (if any):

_____

_____

In addition, the agreement dated December 26, 1969, and outlined above is the only agreement or understanding, written or oral, to which Consolidated is a party, applicable to the permit interests acquired by Consolidated from King Resources.

CONSOLIDATED OIL AND GAS, INC.

Date: May 26, 1970 By _____
Harry A. Trueblood, Jr.,
Chairman

ARTHUR ANDERSEN & CO.

10/12/73

Signed _____

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ARTHUR ANDERSEN
DENVER
MAY 28 1970
RECEIVED
ANSWERED BY

DE QQ

CLIPPINGS
ARTHUR ANDERSEN & Co.

To: MR. PHILLIP CARR - DENVER — Office
(MIDWEST ISSUE) THE WALL STREET JOURNAL — Source
May 20, 1970 — Date
John March — Clipped By

File: ( ) Pre-Audit ( ) Non-Client of

Disclosure by Denver Oil Firm Casts Light On Controversial King-IOS Transaction

By James C. Tanner
Staff Reporter of THE WALL STREET JOURNAL

DALLAS—Did L.O.S. Ltd. inflate the value of its Canadian Arctic oil claims after John M. King, who is holding a take-over of the mutual fund complex, played Santa Claus last December?

This was the prospect raised yesterday as more details of the controversial transaction were unveiled by Mr. King and his Denver-based King Resources Co. aimed to public view.

The oil company that bought the bulk of the Canadian Arctic permits in the transaction said it is paying only about half of what the seven-man oil funds group said it got from the deal.

The late December sale of Canadian government Arctic mineral exploration permits by the L.O.S.-managed Fund of Funds and Growth Fund Ltd. kept alive an apparently dramatic planned improvement in the 1970 performance of the L.O.S. operations.

A report from L.O.S. at the time said that the gross sales price was $1.12 an acre, against the 75 cents to $1 an acre originally paid for the permits. Moreover, said L.O.S.: "Based on this sale, after appropriate discount and reserves, the value of the remaining acreage is being carried at $5.01 net an acre. As a result of this revaluation the assets of the Fund of Funds has increased by $70.3 million and the assets of L.O.S. Growth Fund by $2.9 million . . . as of Dec. 26, 1969."

It isn't clear just how many Canadian Arctic acres King by L.O.S. were involved in the December sale, although both L.O.S. and King Resources have said reports that agree on one point: that 10% involved 20% of the L.O.S. Canadian holdings.

According to one report from L.O.S. in late April, it had acquired last June a 30% interest in mineral exploration rights on 33 million acres of Arctic territory east of the Alaskan North Slope. Later, however, on May 8, King Resources reported that L.O.S.' Fund of Funds participated with the Denver concern in the purchase of permits on 22.5 million acres of Canadian Arctic oil lands last year. Over the year-end, King Resources added, it served as an agent for L.O.S. in the sale of approximately 10% of the L.O.S. interest.

This would indicate that King Resources sold for L.O.S. around one million acres of Canadian Arctic permits, leaving around 10 million acres still held by L.O.S.

It is clear that the purchaser of the bulk of the former L.O.S. Canadian permits was Consolidated Oil & Gas Inc., also based in Denver. It also is clear that Consolidated bought the acreage from King Resources, not L.O.S.

Yesterday, in response to inquiries about its part in the transaction, Consolidated Oil & Gas asked the American Stock Exchange to suspend trading in its stock until it could issue a statement regarding the matter.

The company later asked the American exchange to suspend trading in the stock until stockholders receive a letter that will clarify the company's situation "in detail." The letter would first have to be reviewed by the Securities and Exchange Commission and the exchange, the company said.

In the statement yesterday, Harry A. Trueblood, chairman of Consolidated Oil & Gas, said that the company had asked the American Stock Exchange to delay the opening of trading of its shares pending clarification of "widely circulated erroneous reports of its participation in the Arctic Islands joint venture oil deal with King Resources as well as other matters."

Mr. Trueblood said that the agreement with King Resources calls for the expenditure by Consolidated of approximately $1.7 million a year for the next six years in order for Consolidated to earn a 3.125% working interest under 32 million gross acres, or 22 million net acres.

"Contrary to misinterpreted press reports," Mr. Trueblood said, "one-half of the money will be spent along with other participants on drilling, seismic and other geologic studies. The balance of approximately $5 million will be paid over a six-year period for the acquisition and maintenance of the working-interest acreage."

This would give Consolidated around 700,000 acres from the transaction—at a price of about $7 an acre over a six-year period.

Moreover, said Mr. Trueblood, "this participation was made directly with King Resources and not with L.O.S. . . . Consolidated does not presently have nor has ever had any agreement or relationship whatsoever with L.O.S."

As interesting as the disparity in the purchase price was the method in which the Arctic transaction was handled. It was a bookkeeping maneuver that went something like this: King Resources sold Arctic claims it no longer owned (they had been sold to L.O.S. previously) and then bought, *from* L.O.S., an equal amount of acreage permits.

As L.O.S. explained the transaction, it got an offer from oil interests in the U.S. to buy 10% of its Canadian Arctic holdings after bidding for North Slope leases in Alaska had pushed up the value of the Canadian region. But tax reasons, according to L.O.S., dictated that it shouldn't sell its interests in the same year it bought them.

So, according to L.O.S., King, the group in December sold the oil group an identical 10% interest. On that basis, the L.O.S. explained, it went on, its remaining Arctic holdings were revalued upward. Then it actually sold its 10% interest to King Resources in January in what amounted to a "wash" or flow-through transaction for King Resources.

Neither King Resources nor L.O.S. has identified the purchasers. But Consolidated Oil & Gas last January disclosed that it had entered into a joint venture with King Resources to explore the Canadian Arctic Islands.

Consolidated's Mr. Trueblood said yesterday that his transaction was only with King Resources and that he knows of no other parties to the transaction. However, there were at least two other purchasers reportedly involved. One is reported to be Houston oilman John Mecom, who wasn't available for comment yesterday, and the other is said to be a Chicago investment firm called Lakeshore Associates. A secretary at Lakeshore said Bernard King, who is senior vice president of King Resources but no relation to John M. King, the chairman, is a major investor in Lakeshore. The secretary identified the other investor as Kenneth Greenebaum Jr., a Chicago financial consultant.

There is little doubt that the Canadian Arctic, a vast frozen waste of islands and ice, is fast becoming a focal point of oil exploration

(OVER)

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ARTHUR ANDERSEN

...that may well reveal oil on the Alaskan North Slope. Several companies are planning to the region, spurred on by the major strikes on the North Slope.

King Resources is particularly enthusiastic. In a special report to shareholders last month, the company noted that "our Arctic exploration pro... a massive effort whose results will be known only with the passage of time, figured very prominently in our activities in 1969."

Another Arctic fan is Mr. Trueblood of Consolidated. He said yesterday that on the 2½ million acres in which it will be participating with King Resources "a minimum of seven wildcats will be drilled on seismic structures already delineated and two of these wells are expected to be commenced this year."

But Mr. Trueblood agrees with other sources that it won't be known for five or even 10 years whether the payout in the Arctic islands will be equal to the promise. And he disclosed yesterday that Consolidated has only paid $710,000 toward its 700,000 Arctic acres so far and that it could turn the acreage back to King Resources today if it wished, canceling all further payments.

A reputable Southwestern geologist also notes that the Canadian Arctic islands show major promise for future petroleum exploration. "That area," he says, "is a great geological province similar to the Alaskan North Slope."

But the geologist notes that the cost of getting the oil out—assuming it's there—will be enormous. "There are millions of acres out there in the drink, and it will be a terrible undertaking from there to getting a dollar in the bank."

Oil industry observers generally suggest that the King Resources and/or I.O.S. sale last December was intended only to establish a market value for the I.O.S. holdings. "Whether I.O.S. has underrated or overstated the value of its acreage," says one oilman familiar with the Canadian Arctic, "won't be known for some years. But even $7 an acre (which Consolidated insists it is paying) is a lot more than we would give. A lot of that Canadian permit stuff can be picked up for practically nothing."

In his second request for a halt in trading of Consolidated's stock on the American exchange Mr. Trueblood said the letter to stockholders would seek to clear up several other points, among them:

—Consolidated isn't a part of the planned take-over of I.O.S. by King Resources.

—Consolidated, upon learning through the press that its $1 million loan of two years' duration from the state of Ohio "might have been issued improperly," has offered to substitute for its note a like amount of acceptable commercial paper to the state.

—It is unlikely that Consolidated will acquire any of its own shares in the future, even though it had previously announced such plans because "no new acquisitions are pending" and "the Petrodynamics acquisition was renegotiated as a cash transaction and required no shares."

—The present net debt of Consolidated is approximately $12 million.

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EXHIBIT 1104

FLOW OF FUNDS
MEMO RE. NATURE OF OBLIGATION OF PURCHASERS OF KRTC PERMIT INTERESTS FOR EXPLORATION COSTS
1-20-70
@ 12-31-69

I discussed the nature of this obligation today w/ Bowles and Lowry. Both parties confirm their understanding of the negotiations, the intent and legal position of the purchasers, namely there is no unilateral way for them to reduce or avoid their expenditure of $11,741,030 in exploration money. KRC has complete control over the exploration program and thereby controls the call on this obligation.

The wording of the agreements is somewhat ambiguous in that the work obligation is initially related to exploration and necessary to earn and maintain but further language states intent is to pay for exploration work at $7.50 per net acre acquired and further states that after a total of $20,872,964 has been expended, of which 56.25% will be expenditures for the account of the Purchasers.

The question I put to both Rowland & Jr was whether or not the purchasers could deny obligation for 56.25% (and initial knowledge obligation for only 9.09125%)

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for the first $20,877,964 spent if any of it technically was not necessary to earn and maintain the permit, such as might be the case if some development work (not exploration) were undertaken before the exploration program was complete. Rowland thought not because the intent was to pay 56.25% of the first $20+mm spent. Jim was not sure that this would be the case. Both parties acknowledged that the operating agreement to be entered into should clarify this question by specifically providing for the substitution of development work for the exploration work insofar as satisfying the purchasers cost obligation is concerned.

Jim pointed out that even if part of the first $20+mm includes developmental cost charged only 7.03125% of such cost, that this in no way reduces their continuing obligation to pay for 56.25% of the first $20+mm in exploration costs. Thus the effect of a technical litigation interpretation of the buyer's obligation would be principally one of timing (when the exploration money is spent) which is mitigated by the contract provisions (i.e. 3.07c. & ... .)

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requiring the payment schedule in the earlier years to be met regardless of timing of the exploration work, with the excess payment applied to the unpaid principal on the permit purchase note. Nevertheless the timing feature is important in the present value calculation and should be followed closely, particularly in the event the operating agreements do not completely resolve this question.

Bowland stated that the intended exploration program was to spend $5 mm a year for about 4 yrs. Payment schedule is for 3½ yrs.; however, the ½ yr. difference is not significant.

At the time of sale of the arctic permit interests, KRC and ~~Esso~~ Natural Resources Fund committed were ~~obligated~~ to spend $35,762,502 in exploration cost under the terms of agreements under which certain permit acreage was obtained.

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DE AC

P/L memo — J Hayes
A 12/31/69 — 11-24-69

The J.S. Various summaries re C's unconsolidated & Consolidated P/L at 9-30-69 per Dial Telex 9-30-69 financial statements, discussions of variances, current year deals, etc are per work sheets W.P.'s / Audit
here in the L.A. file, discussed with Roger Davis Controller & Frank Petrie, Treasurer (Also see comments in L.A. 9-5-1 Intercompany transactions 12 thru 9-30)

	1969	1968	Increase (Decrease) $	%	
			(000 omitted)		
of Resource Interests, lated Services and Other d Oil Production Income -Company (Interest)	$ 53,308,498 3,051,081 58,262	$ 19,582,174 1,897,105 -	54 1	170% 50%	63 C 3 D
	56,417,841	21,479,279	35	160%	66 I.
gross position Sales of resource interests, etc.	24%	34%			
s and Expenses Attributable to les of Resource Interests, lated Services and Other cing Lease Operations stion, Depreciation and ortization	40,567,320 1,061,379	13,020,967 468,232	27 L	200% 420%	43 E 1 D
ral and Administrative Expenses	1,715,754 1,868,913	887,005 963,052	1 1	100% 100%	1 I 1 G
est and Debt Expense -Company (Interest)	1,366,827 113,750	457,691 -	1	200%	1 H 2 D
minority Interest in not consol Subs	46,693,943	15,796,947	31	200%	1 / 50 E
E, Before Provision for s Taxes	9,723,898	5,682,332	4	70%	15 E
FOR INCOME TAXES	2,180,000 ☆	-	2	-	2 J
	$ 7,543,898	$ 5,682,332	2	30%	13 I

EPS - Common & Common Equivalent

☆ Income Tax Provision not Allocated to Subsidiaries. Fully Diluted EPS

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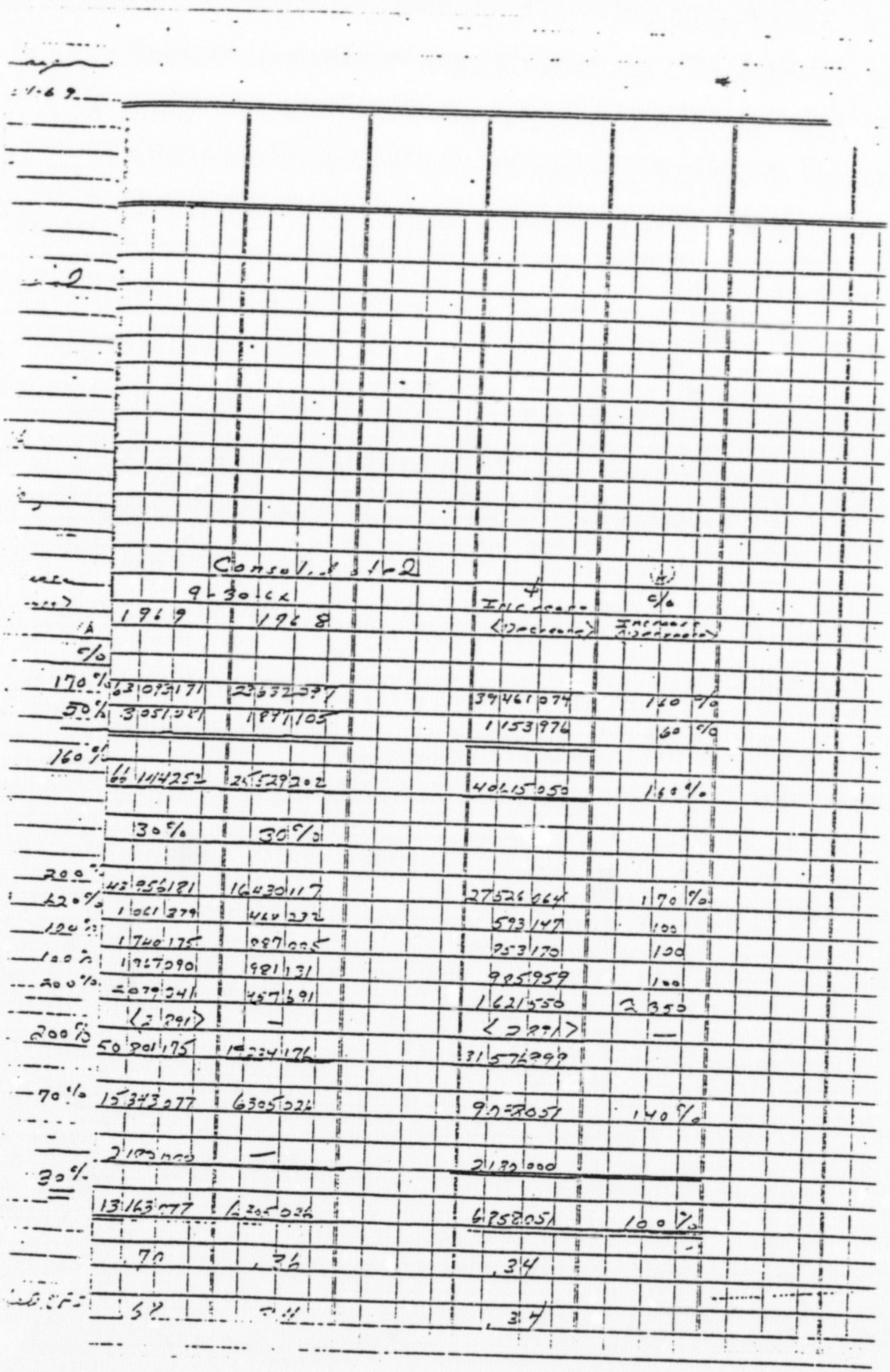

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KING RESOURCES COMPANY

P/L memo

A 12/31/69

King Resources continues to show tremendous growth with unaudited and consolidated figures showing a 160 - 170% increase and consolidated estimates showing a 100% increase (30% minimum only for unconsolidated P/L) The primary reason for the difference in gross between unconsolidated & consolidated P/L is due to the foreign subs being in existence for only a short time as of 7-30-69 (end) in 1969 IRL sold to for a portion of its interest in the Afton Dement Jt. venture which contributed greatly to gross profit

Gross profit ANALYSIS

Unconsolidated gross profit has dropped 10% from the 6th period last year. This is due primarily to the exclusion in sales of the $10,878,000 purchase of Coastal State property and subsequent sale of same to 1st General Real Estate Trust. King received 30,000 shares of stock on the "profit" on the deal. Per the analysis of sales on the unaudited a 5% G.P., hence assuming the overall GP (28% GP w/o Fuel General Fin.) also 6.8% on IAMGold Royal Silver Appointment Amer. [illegible] the GP is

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KINGSBURG COMPANY

P/L prior 11/25/69

4 12/31/68

income on a consolidated basis in 1968

is due primarily to a 6 mill $ sale of

1/2 of FRL's interest in its Canadian Joint

American Gypsum Co joint venture FRL's

cost of sales was less than a million in

this last

Gross Profit by type of sale

(000 omitted)

	As of Sept 30 1969	1968	
Sales of Dolj "K"	26,931	15,[illegible]	
C/S of Dolj "K" Deduct of Ft Francis	25,528	11,572	
Gross profit	1,403	3,722	∴ 2
Gross Profit %	5%	24%	
Sale of Leases	34,653	8,020	
C/S of Leases	17,017	4,043	
G.P.	17,636	3977	
GP %	51%	50%	

Comments

Gross profit % is substantially down

19% in 1969 on sales 3 3/3 greater than 1968,

a substantial portion of current year sales C/S

in the 1st/ annual Stmt, $11,445,000 sales - 10,878,04[illegible]

C/S which only had a 5% Gross profit

an additional (1969) C/S in the [illegible]

A 1111

A 1111

[illegible] COMPANY — Hayes

O/L memo — 1/20/69

A-12/31/68

Developed at 12/31/68, (47.4% Allocated to G/S at 1/1/69)

During 1968, worked charges to G/S account of the Base costs. In addition O/L directly to G/S in 1968 was not as great as in 1969 due to their old procedure in getting for oil and became G&A has greatly increased this year -- See Below for discussion of G&A expenses.

Basic profit on the sale of Gas is substantially the same as prior year and Basic running the 100% - no markup on Gas to FGPC See Plaintiff for analysis of sales by Industry Partner.

Oil & GAS Income

Up due to receipt of revenue beginning 1-1-69 on the Hennessy Gas Plant, a plant Payout and Net Line. Total income from plant 7-30-68 was $20,581. Normal increase in O&G income accounts for the remaining increase in revenue and is due to increased drilling activities [illegible] in Eastern Division - Less during Base operations - Increase due to add'l production. The increase in gross proportionately to the increase in O&G [illegible] is due to the expenses on the Hennessy

A 1112

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KING RESOURCES COMPANY

PL memo: 11/25/63

12/31/62

Ker Dist sunig mat Expire properties by Unit end 202.

SD&A - Per Sch. III, DD: i will computed at $1.35 per bbl.

Increase due to increased production during year and greater depreciation of general property

G+A Expenses

G+A has doubled since last year. This is in line with the increase in the Company's growth. There have been many new additions and departments opened this year and a # of new people hired during the year (See Ex. 12/31/62)

Interest Expense

Substantial increase due to $4 mill of new debentures sold in Dec '62

Provision for taxes

Per Page Davis, the dist has computed the provision for tax at 52.5% and under the same method as in prior quarter and @ 12/31/62

(How - Have of drilling deductions against ordinary

A1113

A 1113

P/L memo

Analysis of Sales/Cost/Profit and Pfd. 11-25-69

KING RESOURCES COMPANY AND SUBSIDIARIES

CONSOLIDATED SALES TO INDUSTRY

SEPTEMBER 30, 1969

	Sales	Cost of Sales	Net Profit (Loss)	% Profit (Loss) On Sales	Final 1968 %
Imperial American	$ 8,872,147	$ 7,820,048	$ 1,052,099	11.9%	12.5
Royal Resources	2,020,315	1,583,930	436,385	21.6%	22.0
Investors Overseas Services (FOF)	24,190,939	7,696,784	16,494,155	68.2%	56.7
Desert Deal (Include Royal)	8,500,000	6,424,959	2,075,041	24.4%	N/A
Spring Lake '69	396,202	275,674	120,528	30.4%	N/A
Ontario Sale	448,492	89,168	359,324	80.1%	✓
Arthur Lipper Corp	1,207,585	994,917	212,668	17.6%	(5)
1969 Osage Partnership	536,685	[illegible],522	37,163	6.9%	(6)
Rocky Mountain Mineral Corp.	-	,566	(28,566)	(X)%	
Southern Mill Homes	-	97	(97)	(X)%	
Futura Planning	17,100	(17,777)	34,877	(X)%	
Russell L. Irish, Jr.	107,095	49,478	57,617	53.8%	
Carlton E. Olson	100,399	42,888	57,511	57.3%	
Murdock	755,770	549,431	206,339	27.3%	Similar to (3)
Wells, Rich & Green	629,575	459,587	169,988	27.0%	✓
Wolf Corp.	2,289,642	2,046,238	243,404	10.6%	(7)
First General Real Estate Trust	11,445,000	10,878,045	566,955	5.0%	
Fox Raff	4,405	3,560	845	19.1%	
Ashland Oil & Refining Co.	2,000	-	2,000	(X)%	
Dow Valley Industries	24,916	3,269	21,647	86.8%	
Depot	31,750	21,065	10,685	33.7%	
Frank Edgar Murphries	$ 3,000	10,197	(6,597)	(X)%	
TOTALS	$ 61,583,617	$ 39,455,045	$ 22,123,971	35.9%	

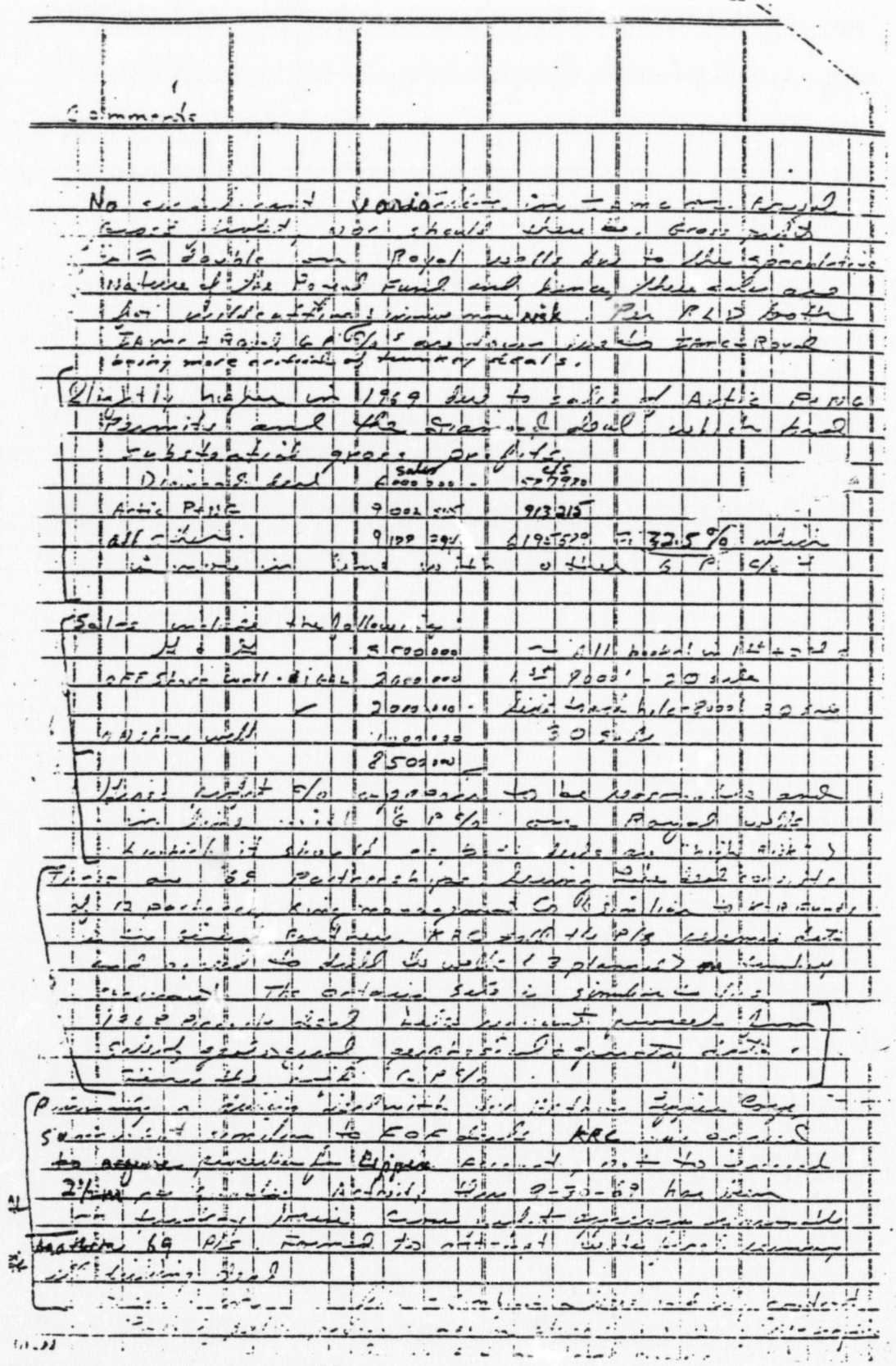
Add unrealized profit to C/S

1
3,085,548
10,545,593

30.9%

A 1114

A1114



A1115

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KING RESOURCES COMPANY

P/L memo

Income from I.R.A. + Hudson land is based on annualized rate of $2.5 M/o

Normal Forecast

E.P.S continue to double which has been the trend since 12/31/67

Fort Quantic activity, based upon historical data on prior years, will probably approximate total sales of revenue interest for the 9 months ended 9-30-69, as would not include Gods that will be included in forth Quantic that are known new exclusive

2) Purchase of the Texaco Refinery in Denver & this deal will close Dec 1, 1969 and probably will then be sold to 1st Comml Z

(2) a new partnership in Texas called La Reforma Exploration & Development Program King Management Co. will be the General Partner. This deal will probably be similar to existing P/S's

3) Possible new partnership to explore for O+G in the Lima Province.

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KING RESOURCES COMPANY

Phone
Wire

Phone memo
Date 12/1/69

might have enough money to finish one well but first he wanted to find out if he would be flying a rig from Canada to the mid east for one well. Permits issued when however drilling is not expected till Jan, 1970.

47 on a section, then an unnamed township well that was supposed to drill to test Dudley Twp 3 P. which have yet to be spudded.

A1117

A 1117Q-1

TIM LOWRY

February 10, 1970

JOHN M. KING

RE TELEPHONE CONVERSATION WITH JOHN MECOM

I received a call today from John Mecom indicating that the recent publicity associated with his purchase of an interest in the Arctic permits of IOS has created an unexpected trauma with some of his lending and banking associations. They are strongly objecting to his making investments that go beyond the expiration of their note periods. He expressed concern that this might endanger some of his financial arrangements that he was seeking; and although he wanted the interest, it was relatively small by comparison with his other holdings.

I told him that if it became a serious problem I would certainly do everything I could to resolve it for him; that I myself might want to buy his interest after a year or two in the event it was still available, and that I would so indicate to him. Also, I advised that if it would help with his bankers I would so indicate to them and that if conditions were that I could not buy the interest personally, I would undertake to sell it on his behalf to others that might be interested, a number of whom have contacted me recently. He said he would let me know, and if necessary might have a lawyer prepare a draft of an agreement between us. I instructed him that should he do so to send it to you for your perusal.

Since this was an IOS interest, however, it seems to me we would have to get their permission for me to make any purchase from Mecom before any action would be taken. Also, if another purchaser comes into the scene, it would seem proper that they should be at least consulted.

JMK/ct

USA 33s-475
(ED. 4-23-71)

EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.

B-C

FPI-NI—8-26-76-25M-5315

A 1118

DX BJ A 1118

KING RESOURCES COMPANY

1300 Elveden House, Calgary, Alberta

Area Code 403, Telephone 269-2521

ARCTIC ISLANDS

PETROLEUM VENTURE

CANADA

April, 1969

OFFICES: 135 South [illegible] Street, Chicago, Illinois 60603 • 100 Security Life Building, Denver, Colorado 80202 •
4072 [illegible] ng, Detroit, Michigan 48226 • 324 North Robinson - Suite 260, Oklahoma City, Oklahoma 73102 •

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ARCTIC ISLANDS
PETROLEUM VENTURE
CANADA

CONTENTS

1. Location Map of North America illustrating Pertinent Regional Geography

2. Summary

   a. Introduction
   b. Concept
   c. Exploration Programs - 1969 - 1972

3. Geological Map of Northern Arctic Islands

4. Diagrammatic Structure Cross Section, Arctic Islands

5. Potential Petroleum Reservoirs and a Generalized Table of Formations in the Canadian Arctic Islands

6. Petroleum Demand Forecast, "Growing Hunger for Petroleum, the World and North America," Nickle, Carl O., Daily Oil Bulletin

7. Market Tanker Routes, "Miles by Possible Tanker Routes from Arctic Islands to Market Areas," Nickle, Carl O., Daily Oil Bulletin

8. Gravity Program illustrated on King Resources Company Oil and Gas Land Map of the Northern Arctic Islands

9. King Resources Company Oil and Gas Land Map of Northern Arctic Islands

10. Description of Oil and Gas Permits in the Arctic Islands

11. Summary Federal Oil and Gas Regulations

12. Work Requirements under the present Regulations dated April, 1969.

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ARCTIC ISLANDS

PETROLEUM VENTURE

CANADA

LOCATION MAP OF NORTH AMERICA illustrating pertinent regional Geography:

1. SALT DOME BASINS at both ends of the continent.

2. SVERDRUP "SALT DOME" BASIN within the CANADIAN ARCTIC ISLANDS.

3. Bulk of KING RESOURCES COMPANY Oil and Gas PERMITS are located in the Sverdrup basin.

4. FIRST EXPLORATORY OIL WELL to be drilled in the SVERDRUP BASIN.

5. Eastern leg of the NORTHWEST PASSAGE, through the Arctic Islands.

6. PRUDHOE BAY giant oil discovery on the North Slope of Alaska.

A1121

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SVERDRUP BASIN
EDGE CONT SHELF
PRUDHOE BAY
ARCTIC OCEAN
NW PASSAGE
RAINBOW
EDGE CONT SHELF
NORTH AMERICA
SALT DOME BASIN
CANADIAN SHIELD
FOLDED BELT
EXPLORATORY WELL

ARCTIC ISLANDS PETROLEUM VENTURE CANADA

SUMMARY

a. Introduction

The Arctic Islands Petroleum Venture is a large scale highly specialized search for major Oil Accumulations. The objectives of this search are to find oil accumulations similar to the recent discovery at Prudhoe Bay in Northern Alaska, which is estimated to be the largest oil field in North America with minimum reserves between 5 and 10 Billion Barrels. The location of the Venture is within the virgin Sverdrup "Salt Dome" Basin of the Canadian Arctic Islands along the Southeastern coast of the Arctic Ocean. (Refer to Location Map - North America).

Two significant events which occurred in 1967 prompted King Resources Company to initiate this venture. One was the substantial exploration commitments ($20 Million including 14 - 17 deep wells by the Canadian Government backed Panarctic Oils Ltd.) in the Canadian Arctic Islands; and the other was the giant oil discovery at Prudhoe Bay on the Alaskan Arctic Coast.

Most of the Panarctic Oils Ltd. exploration activity is concentrated over the land portions of the islands of the Sverdrup Basin and its margins. Recognizing that less than one half of the Sverdrup "Salt Dome" Basin consists of land or islands and that many of the known structures on

the islands continue offshore; King Resources Company selected a favorable Oil and Gas Permit position. (See Geological Map).

King Resources Company holds varying interests in Oil and Gas Permits totaling 29.7 million gross acres concentrated in the Sverdrup Basin. King Resources net position in this gr acreage totals 16.1 million acres plus options to purchase and/or earn an additional 2.8 million acres. These permits are mostly offshore in solid blocks which extend between the islands; and include several small coastal portions of most of the islands of the Sverdrup Basin. (See King Resources Company Oil and Gas Land Map).

b. Concept

The total petroleum province of the Canadian Arctic Islands is centered around the elongate east-west Mesozoic Sverdrup Basin with an older Paleozoic shelf area to the south and a younger Cenozoic shelf basin to the north. (See Location Map and Geological Map of Northern Arctic Islands). The rock units on the islands are well exposed; consequently the regional geology of this petroleum province is well known. The exploration pace in this far northern classical geological basin has closely paralleled improvements in transportation technology.

Several estimates of the ultimate hydrocarbon potential of the Arctic Islands which have been published by oil experts are over 50 billion barrels of Petroleum and 300 trillion cubic feet of Natural Gas. Most of this potential is within the thick Mesozoic sediments of the Sverdrup basin.

The Sverdrup Basin resembles a great closed trough over 600 miles long and 200 miles wide filled with enormous thicknesses (totaling over 30,000') of late Paleozoic evaporite (salt) beds and Mesozoic clastics (sand and shale). Several large evaporite diapirs (salt domes) have pierced the overlying Mesozoic sediments and now stand as dominant surface features on some of the Islands. Several additional domes which are not exposed are indicated from surface geology and many more are expected to be located by geophysical methods. The diapirism appears to be less intense in the western half of the basin than in the eastern half where it is associated with a series of major anticlines. (See Geological Map and Structure Cross Section).

The Mesozoic sediments within the Sverdrup "Salt Dome" Basin consist of extensive porous sandstones intimately associated with petroleum source shales. These potential petroleum sandstone reservoirs extend from the margins to the central portions of the basin forming thick sandstone wedges enclosed in organic shales. At least one major

sandstone wedge was developed during each of the three Mesozoic systems. (See Potential Mesozoic Petroleum Reservoirs and Table of Formations in the Canadian Arctic Islands).

Paleozoic sediments are also potential within the Sverdrup basin, especially the Upper Paleozoic, Permo - Pennsylvanian Sandstone and Limestone reservoirs (including caprock) above and flanking the diapirism of the Lower Pennsylvanian Salt beds. Lower Paleozoic sandstone and limestone (including reef) reservoirs are potential along the southern margins of the Sverdrup basin where they are involved with gentle yet major anticlines. (See Potential Paleozoic Petroleum Reservoirs and Table of Formations).

Although no wells have been drilled within the basin, several favorable indications of petroleum are present on the surface. The results of Geochemical analysis also suggest that high grade oily source rock facies are plentiful throughout the basin. The two most positive indications on the surface are:

1. The Lower Triassic - Bjorne formation oil sands in the northwestern portion of Melville Island. It has been estimated that 50 - 100 MM barrels of asphaltic oil are present at the surface with the subsurface extent undefined. This formation is equivalent to the main productive reservoir in the 5-10 billion barrel Prudhoe Bay discovery of Northern Alaska.

2. The Lower Cretaceous - Isachsen formation sandstones and/or Upper Paleozoic - Permian limestones (or Caprock) contain fossil oil (bitumen) along the flanks of the Isachsen Dome and the South Dumbbell Dome on Ellef Ringnes Island, the Middle Dome on Amund Ringnes Island and the South Fiord Dome on Axel Heiberg Island. These occurrences suggest that recent eruptions of these domes have destroyed sizeable oil accumulations.

The geology of the Sverdrup basin with its major structures, extensive reservoirs and favorable source rocks suggests that giant oil fields similar to those of the Persian Gulf, North Africa and Prudhoe Bay will also be found in the Sverdrup basin of the Canadian Arctic Islands; and that King Resources Company Oil and Gas Permits are favorably located within this basin.

The natural markets for oil from the Sverdrup Basin are the east coast of the United States and Canada and northwestern Europe. These are now being supplied with domestic oil from the southwestern United States or foreign oil from South America and Arabian sources; the first is a high priced limited source and the latter two sources are continually subjected to political disruption and economic uncertainty. The future petroleum demand in these market areas is forecast to increase annually at a higher rate than it has in the past. (See Petroleum Demand Forecast).

Future oil from the Arctic Islands will be more accessible to the Atlantic markets than any other oil

from the Arctic because it is adjacent to the year around navigable waters of the Davis Strait west of Greenland. Studies indicate that the waters from the Davis Strait to the mouth of the Northwest Passage between Devon and Baffin Islands are navigable the year around with some assistance from ice-breakers and ice floe detectors. The remainder of the eastern leg of the Northwest Passage through the Arctic Islands is the site of extensive navigational feasibility projects to be carried out in 1969 which can establish new economic parameters for Arctic Island oil. (See Market Tanker Routes and Location Map - North America).

c. Exploration Programs 1969 - 1972

King Resources Company conducted extensive geological and engineering studies of the petroleum potential and feasibility of exploring in the Arctic before initiating the 1969 Geophysical - Gravity field program. Several additional specialized technical projects are also presently under way. These studies and projects are summarized as follows:

1. Regional geologic studies and petroleum potential of the Canadian Arctic Islands.

2. Logistics and operations of airborne reconnaissance Geophysical surveys.

3. Environmental and hydrographic studies.

4. Geophysical - gravity, magnetic and seismic interpretations of the Arctic Islands which include:

   a. 5,955 stations of gravity
   b. 90,000 square miles of aeromagnetics
   c. 600 miles of refraction seismic.

5. Geological reservoir facies study.

6. Offshore drilling feasibility study.

The objectives of the above projects and the initial field exploration programs are to evaluate the entire Sverdrup Basin and determine the areas where major production is most likely to be found. In these areas programs will be planned to delineate and drill the most economically located major structures (relative to the Arctic Islands Petroleum Venture). The initial exploratory drilling is planned to be from shore with later drilling to be offshore.

The dominant structures within the Sverdrup basin are caused by evaporite or salt diapirism (flowage and piercement) and the cores of these structures can be located by the gravity survey method which is a relatively fast, effective and inexpensive exploration tool. The 1969 field exploration program which is presently in progress consists of a selective reconnaissance gravity, ground magnetic and hydrographic survey of approximately 6377 stations covering approximately 40,000 square miles. (For more detailed specifications see Geophysical - gravity program Map).

A minimum amount of reflection seismic will be conducted in 1969. This will consist of approximately 30 miles over known gravity and surface anomalies to define drilling locations. It will also assist in the subsurface interpretations of the gravity and magnetic data and help pre-plan the 1970 field exploration programs. It is difficult to predict the exact timing and duration of the first exploratory well in this program; but the preparatory planning and supply support will be included in the 1969 program.

The subsequent program forecasts for 1970 through 1972 consist of selective minimum geophysical - seismic surveys and exploratory drilling. The geophysical activity will decrease in 1970 and remain at a fairly constant level through 1972. The drilling activity is planned to start in 1970 or late 1969 and increase toward the end of the four year program.

The estimated costs of the above programs are summarized on the following page.

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The estimated costs of the Exploration programs for the four years 1969 - 1972 are presented below:

1969 ARCTIC ISLANDS PETROLEUM PROGRAM			
GEOPHYSICS:			
6377 stations of Gravity & Magnetics	-	$1,125,000	
30 miles of 100% Seismic	-	150,000	
DRILLING:			
Exploratory Drilling equipment	-	250,000	
EXPLORATION SUPPLIES: (for 1970)	-	500,000	
TOTAL 1969 PROGRAM		2,025,000	$ 2,025,000
1970 ARCTIC ISLANDS PETROLEUM PROGRAM			
GEOPHYSICS:			
Seismic (100± miles)	-	500,000	
DRILLING:			
3 deep exploratory wells	-	2,500,000	
EXPLORATION SUPPLIES: (for 1971)	-	1,000,000	
TOTAL 1970 PROGRAM		4,000,000	4,000,000
1971 ARCTIC ISLANDS PETROLEUM PROGRAM			
GEOPHYSICS:			
Detailed Seismic (100± miles)	-	500,000	
DRILLING:			
4 deep exploratory wells	-	3,000,000	
EXPLORATION SUPPLIES: (for 1972)	-	1,000,000	
TOTAL 1971 PROGRAM		4,500,000	4,500,000
1972 ARCTIC ISLANDS PETROLEUM PROGRAM			
GEOPHYSICS:			
Detailed Seismic (100± miles)	-	475,000	
DRILLING:			
6 deep exploratory wells	-	4,000,000	
TOTAL 1972 PROGRAM		4,475,000	4,475,000
COMBINED TOTALS 1969 - 1972 PROGRAMS			15,000,000

The above general exploration programs will be adjusted to take advantage of the technological improvements and geological refinements which are expected from the dynamic exploration activity taking place within this frontier oil province.

April, 1969 R. W. Prather

A 1131

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ARCTIC ISLANDS
PETROLEUM VENTURE
CANADA

GEOLOGICAL MAP of the NORTHERN ARCTIC ISLANDS illustrating the following geology:

1. The DIAPIRIC BELT (area of salt piercement) within the orange outline. Scale 1" = 50 miles.

   a. The orange outline also represents the general configuration of the SVERDRUP BASIN.

   b. DIAPIRIC DOMES which are exposed at the surface of the islands are colored solid orange.

   c. DIAPIRIC DOMES which are indicated from surface geology are outlined with small orange circles.

   d. A few AXES of MAJOR ANTICLINES are shown with heavy black lines.

2. The surface outcrops of MESOZOIC SEDIMENTS are shown in green which also generally outline the SVERDRUP BASIN.

3. The yellow represents scattered surface outcrops of CENOZOIC SEDIMENTS.

4. The surface outcrops of the older PALEOZOIC SEDIMENTS are shown in blue.

5. The location of the diagrammatic BASIN CROSS SECTION LINE is shown in red and marked B-B'.

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ARCTIC ISLANDS
PETROLEUM VENTURE
CANADA

DIAGRAMMATIC STRUCTURE CROSS SECTION of the ARCTIC ISLANDS illustrating the following structural concepts:

1. The Southern Arctic Islands form a gentle HOMOCLINE interpreted by a GRABEN (Viscount Melville Sound) at Young and Garrett Islands and consist of Lower Paleozoic sediments colored blue.

2. The above homocline gives way to a rhythmic low relief FOLD BELT involving Lower Paleozoic salt beds on Bathurst Island.

3. The southern edge of the Sverdrup basin at Cameron Island represents a dramatic DOWNWARP probably formed from a series of successive normal faults down to the north.

4. The SVERDRUP BASIN forms a GEOSYNCLINE or SYNCLINORIUM which is filled with MESOZOIC SEDIMENTS colored green plus Paleozoic sediments colored blue with total thicknesses over 30,000 feet.

5. The Sverdrup basin also contains thick beds of evaporites (Upper Paleozoic salt) which formed PIERCEMENT STRUCTURES or DOMES on King Christian and Ellef Ringnes Islands colored orange.

6. A regional ARCH at the north edge of Ellef Ringnes Island separates the Sverdrup basin from the ARCTIC COASTAL BASIN which contains thick deposits of Tertiary and Mesozoic sediments.

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ARCTIC ISLANDS
PETROLEUM VENTURE
CANADA

POTENTIAL MESOZOIC PETROLEUM RESERVOIRS are illustrated with a GENERALIZED TABLE OF FORMATIONS in the CANADIAN ARCTIC ISLANDS

1. The MESOZOIC potential PETROLEUM RESERVOIRS of the ARCTIC ISLANDS consist of POROUS SANDSTONES intimately associated with potential PETROLEUM GENERATING SHALES by GEOCHEMICAL ANALYSIS.

   a. These potential PETROLEUM RESERVOIRS are located within the SVERDRUP "SALT DOME" BASIN and are further located over the CRESTS and along the FLANKS of numerous potential PETROLEUM TRAPS - "ANTICLINES and DOMES" (see Geological Map of Northern Arctic Islands).

   b. These SANDSTONE RESERVOIRS have thicknesses total- several THOUSAND FEET. (See Table of Formations and Structure Cross Section, Arctic Islands).

2. The following MESOZOIC RESERVOIRS are indicated to be PRODUCTIVE of PETROLEUM and NATURAL GAS in the adjacent ALASKAN ARCTIC BASIN and in the ARCTIC ISLANDS SVERDRUP BASIN. (See Location Map).

   a. CRETACEOUS and JURASSIC SANDSTONE RESERVOIRS

      1. Indicated PRODUCTIVE from wells drilled in Alaska at PRUDHOE BAY.

      2. ISACHSEN FORMATION - BITUMEN in SANDSTONE on the flanks of SOUTH DUMBBELL DOMES, ELLEF RINGNES ISLAND and on the flanks of MIDDLE DOME, AMUND RINGNES ISLAND.

   b. TRIASSIC SANDSTONE RESERVOIRS

      1. BJORNE FORMATION - PRODUCTIVE at PRUDHOE BAY. (Estimated to be the LARGEST OIL FIELD in NORTH AMERICA with 5 - 10 BILLION BARRELS).

      2. BJORNE FORMATION forms huge oil seeps at the surface on the northwestern portion of Melville Island. Outcrops suggest that between 50 and 100 MM barrels of asphaltic oil are present on the surface in these oil sands. (Subsurface extent undefined).

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CANADIAN ARCTIC ISLANDS
GENERALIZED TABLE OF FORMATIONS

ERA	SYSTEM	SERIES	EUROPEAN STAGES	FORMATIONS	ROCK TYPE	RESERVOIR	THICKNESS
CENOZOIC	QUATERNARY		HALOCENE	UNNAMED			
			PLEISTOCENE	BEAUFORT			
	TERTIARY		PLIOCENE MIOCENE OLIGOCENE EOCENE PALEOCENE				
MESOZOIC	CRETACEOUS	UPPER	DANIAN MAESTRICHTIAN CAMPANIAN SANTONIAN CONIACIAN TURONIAN CENOMANIAN	EUREKA SOUND / KANGUK		O	650-1200
		LOWER	ALBIAN APTIAN BARREMIAN HAUTERIVIAN VALANGINIAN BERRIASIAN	HASSEL		O	500-1800
				CHRISTOPHER			1000-3000
				ISACHSEN		O	1000-4500
				MOULD BAY / DEER BAY		O	200-500 / 500-2800
	JURASSIC	UPPER	PORTLANDIAN KIMMERIDGIAN OXFORDIAN	AWINGAK		O	250-1500
		MIDDLE	CALLOVIAN BATHONIAN BAJOCIAN	WILKIE POINT / SAVIK		O	600± / 300-900
		LOWER	TOARCIAN PLIENSBACHIAN SINEMURIAN HETTANGIAN				
	TRIASSIC	UPPER	RHAETIAN NORIAN KARNIAN	HEIBERG (JAEGER)		O	95-5600
		MID.	LADINIAN ANISIAN	SCHEI POINT / BLAA MOUNTAIN		O	60-600 / 500-8000
		LOW	SCYTHIAN	BJORNE / BLIND FIORD		O	1700± / 400-4300

SAND SHALE

DATA SUPPLIED BY J.C. SPROULE & ASSOCIATES LTD.

KING RESOURCES COMPANY

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ARCTIC ISLANDS
PETROLEUM VENTURE
CANADA

POTENTIAL PALEOZOIC PETROLEUM RESERVOIRS are illustrated with a GENERALIZED TABLE OF FORMATIONS in the CANADIAN ARCTIC ISLANDS

1. The POTENTIAL PALEOZOIC RESERVOIRS of the ARCTIC ISLANDS consist of SANDSTONES and LIMESTONES associated with potential PETROLEUM GENERATING SHALES.

   a. Potential PALEOZOIC PETROLEUM RESERVOIRS within the SVERDRUP BASIN are the Upper Paleozoic - PERMIAN and PENNSYLVANIAN SANDSTONES and LIMESTONES above the massive Pennsylvanian EVAPORITE (salt) beds and associated with DIAPIRIC STRUCTURES - ANTICLINES and DOMES. (See Geological Map and Structure Cross Section).

   b. Potential PALEOZOIC PETROLEUM RESERVOIRS along the SOUTHERN FLANK of the SVERDRUP BASIN are Middle and Lower Paleozoic - DEVONIAN, SILURIAN and ORDOVICIAN LIMESTONES above Ordovician SALT beds and associated with ANTICLINES, DOMES and REEFS. (See Geological Map and Structure Cross Section).

2. The following PETROLEUM and NATURAL GAS indications have been recorded within PALEOZOIC RESERVOIRS of the CANADIAN ARCTIC ISLANDS:

   a. LIVE OIL STAINING IN VUGS of PERMIAN LIMESTONE or CAPROCK on ISACHSEN DOME, Ellef Ringnes Island and on SOUTH FIORD DOME, Axel Heiberg Island within the Sverdrup Basin.

   b. NATURAL GAS SHOW from DEVONIAN OKSE BAY FORMATION - SANDSTONE in the Winter Harbor well on the southern coast of Melville Island.

   c. Several occurrences of BITUMEN, GRAHAMITE and OZOCERITE have been recorded in Lower Paleozoic rocks on Devon, Bathurst, Axel Heiberg and Ellesmere Islands.

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CANADIAN ARCTIC ISLANDS
GENERALIZED TABLE OF FORMATIONS

ERA	SYSTEM	SERIES	EURASIAN STAGES	FORMATIONS	ROCK TYPE	RESERVOIR	THICKNESS
PALEOZOIC	PERMIAN	UPPER	TATARIAN	TROLD FIORD			0-675
				"UNIT A"			0-600
			KAZANIAN	ASSISTANCE		O	0-500
		M	KUNGURIAN	SABINE BAY			0-500
		LOWER	ARTINSKIAN SAKMARIAN ASSELIAN	BELCHER CHANNEL		O	0-600
	PENNSYL.		STEPHANIAN WESTPHALIAN NUMARIAN	CANYON FIORD		O	0-400
				UNNAMED			0-10,000
	MIS.		DINANTIAN				
	DEVONIAN	UPPER	FAMENNIAN FRASNIAN	OKSE BAY		O	400-5700
		MIDDLE	GIVETIAN EIFELIAN	BIRD FIORD			650-3000
				BLUE FIORD			350-3800
		LOWER	EMSIAN SIEGENIAN GEDINNIAN SKALIAN	UNNAMED		O	
				READ BAY			2000-5000
	SILURIAN	U	LUDLOVIAN	CAPE PHILLIPS		O	1500-8500
		M	WENLOCKIAN				
		L	LLANDOVERIAN	ALLEN BAY		O	500-5000
	ORDOVICIAN	UPPER	ASHGILLIAN CARADOCIAN	CORNWALLIS		O	1200-4500
		MIDDLE	LLANDEILIAN LLANVIRNIAN	ELEANOR RIVER		O	500-3300
		LOWER	ARENIGIAN	BAUMANN FIORD			250-2200
			TREMADOCIAN	COPES BAY		O	800-3600
	CAMBRIAN			PARRISH GLACIER		O	200-2000
				SCORES BY BAY			100-2800
				ELLESMERE			170-3500

SANDSTONE · LIMESTONE · EVAPORITE · SHALE · DOLOMITE

DATA SUPPLIED BY J.C. SPROULE & ASSOCIATES LTD.

KING RESOURCES COMPANY

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ARCTIC ISLANDS
PETROLEUM VENTURE
CANADA

PETROLEUM DEMAND FORECAST showing the following petroleum CONSUMPTION RATES for the WORLD and NORTH AMERICA:

1. Curve or annual world petroleum consumption showing 12.8 billion barrels in 1967.

2. Forecast of future world petroleum consumption of 27 billion barrels in 1980, an increase of 14.2 billion barrels in the 13 year period following 1967.

3. Curve of petroleum consumption in North America since 1938 showing 5.2 billion barrels in 1968.

4. Forecast of future North American petroleum consumption showing a prediction of 7.7 billion barrels in 1980.

5. Curve of North American petroleum production and forecast of future production showing a shortage of one billion barrels between consumption and production in 1968 and a predicted shortage of 1.4 billion barrels per year by 1976 - which must be made up with foreign imports.

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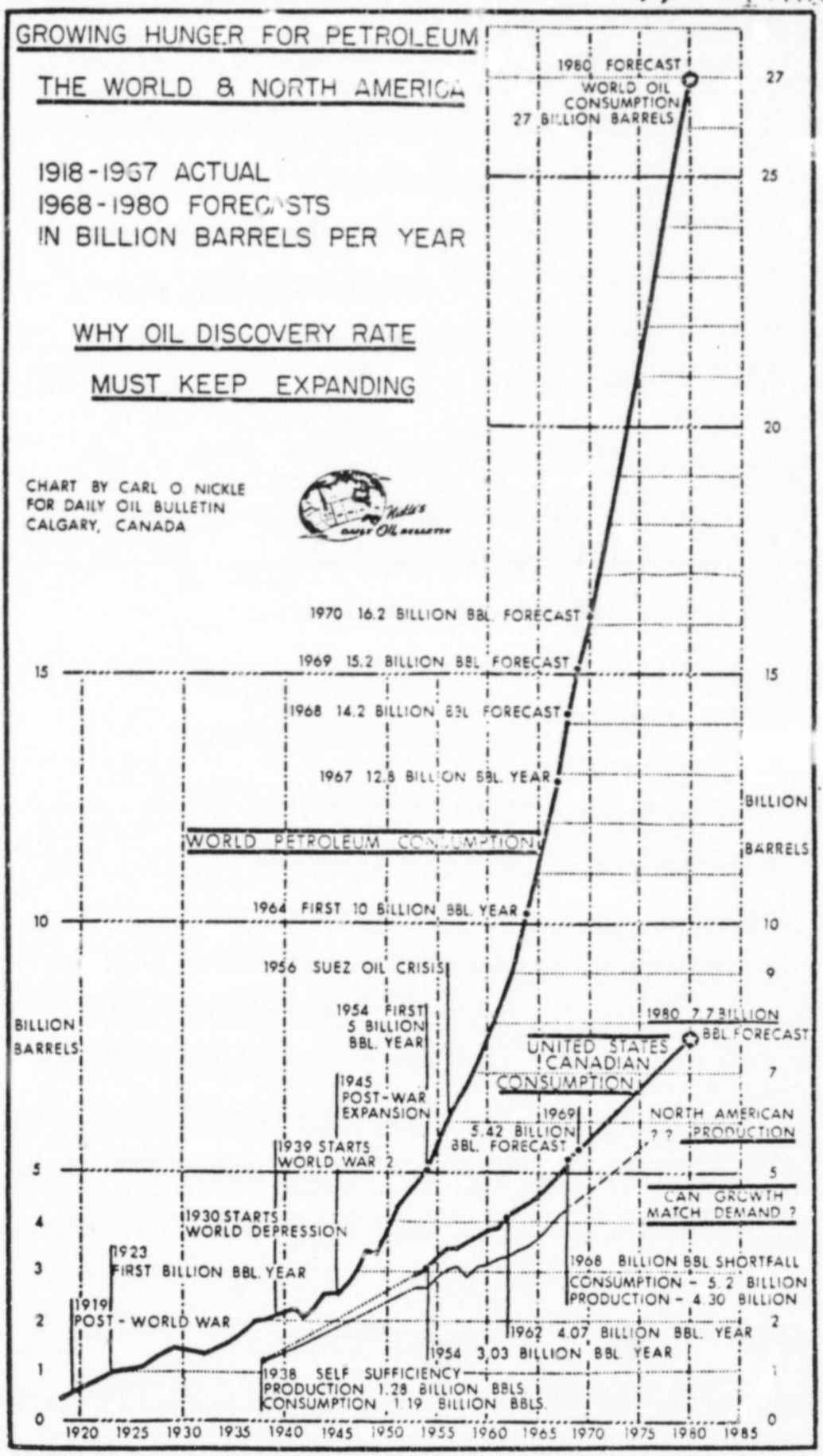
GROWING HUNGER FOR PETROLEUM
THE WORLD & NORTH AMERICA
1918-1967 ACTUAL
1968-1980 FORECASTS
IN BILLION BARRELS PER YEAR
WHY OIL DISCOVERY RATE
MUST KEEP EXPANDING
CHART BY CARL O NICKLE
FOR DAILY OIL BULLETIN
CALGARY, CANADA
1980 FORECAST
WORLD OIL
CONSUMPTION
27 BILLION BARRELS
1970 16.2 BILLION BBL FORECAST
1969 15.2 BILLION BBL FORECAST
1968 14.2 BILLION BBL FORECAST
1967 12.8 BILLION BBL YEAR
WORLD PETROLEUM CONSUMPTION
1964 FIRST 10 BILLION BBL YEAR
1956 SUEZ OIL CRISIS
1954 FIRST
5 BILLION
BBL. YEAR
1945
POST-WAR
EXPANSION
1939 STARTS
WORLD WAR 2
1930 STARTS
WORLD DEPRESSION
1923
FIRST BILLION BBL YEAR
1919
POST-WORLD WAR
1938 SELF SUFFICIENCY
PRODUCTION 1.28 BILLION BBLS
CONSUMPTION 1.19 BILLION BBLS
1954 3.03 BILLION BBL YEAR
1962 4.07 BILLION BBL YEAR
1968 BILLION BBL SHORTFALL
CONSUMPTION - 5.2 BILLION
PRODUCTION - 4.30 BILLION
1969
5.42 BILLION
BBL FORECAST
1980 7.7 BILLION
BBL FORECAST
UNITED STATES
CANADIAN
CONSUMPTION
NORTH AMERICAN
? ? PRODUCTION
CAN GROWTH
MATCH DEMAND ?
BILLION
BARRELS
BILLION
BARRELS
0
1
2
3
4
5
7
9
10
15
20
25
27
1920 1925 1930 1935 1940 1945 1950 1955 1960 1965 1970 1975 1980 1985

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ARCTIC ISLANDS
PETROLEUM VENTURE
CANADA

MARKET TANKER ROUTES shown on North Polar Region Map of the World indicating the Following Features of Tanker Transportation:

1. Route through the Arctic Northwest Passage to the Atlantic Ocean

2. Route from the Arctic Northwest Passage through Beaufort Sea, Chucki Sea and Bering Strait to the Pacific Ocean

3. Tanker route distances from Resolute in the Arctic Islands to the following markets:

   a. 3100 miles to Eastern Coast, Canada.

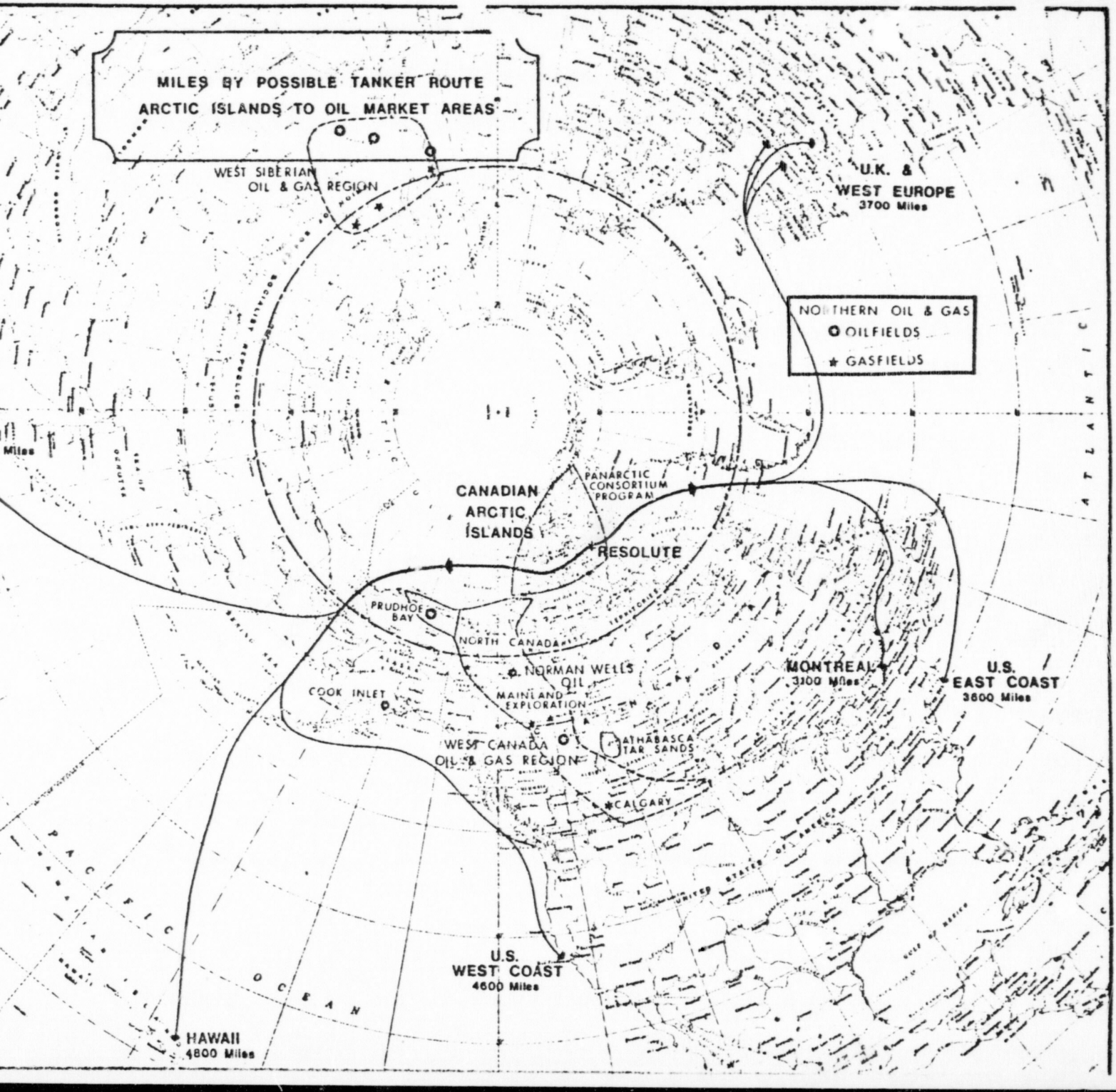
   b. 3600 miles to Eastern Coast, United States.

   c. 3700 miles to Western Europe.

   d. 4600 miles to Western Coast, United States.

   e. 4700 miles to Japan.

   f. 4800 miles to Hawaii.


MILES BY POSSIBLE TANKER ROUTE
ARCTIC ISLANDS TO OIL MARKET AREAS
WEST SIBERIAN
OIL & GAS REGION
U.K. &
WEST EUROPE
3700 Miles
NORTHERN OIL & GAS
OILFIELDS
GASFIELDS
ATLANTIC
CANADIAN
ARCTIC
ISLANDS
PANARCTIC
CONSORTIUM
PROGRAM
RESOLUTE
PRUDHOE
BAY
NORTH CANADA
NORMAN WELLS
OIL
COOK INLET
MAINLAND
EXPLORATION
MONTREAL
3100 Miles
U.S.
EAST COAST
3600 Miles
WEST CANADA
OIL & GAS REGION
ATHABASCA
TAR SANDS
CALGARY
PACIFIC
OCEAN
U.S.
WEST COAST
4600 Miles
HAWAII
4800 Miles

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ARCTIC ISLANDS
PETROLEUM VENTURES
CANADA

GRAVITY PROGRAM illustrated on KING RESOURCES COMPANY OIL and GAS LAND MAP of the Northern Arctic Islands. (Scale 1" = 50 miles).

The 1969 GRAVITY survey will cover approximately 40,000 square miles within the Sverdrup "Salt Dome" basin with the following specifications:

1. Two Mile Grid over King Resources Company Oil and Gas Permits within the basin and within 10 miles from shore.

2. Four Mile Grid over competitor Permits within the basin and within 10 miles from shore, except where similar surface geology is known and/or previously surveyed.

3. Five and one half Mile Grid (alternating 4 x 8) beyond 10 miles from shore except in areas where similar regional coverage is available.

4. One Mile Grid over potential drillable anomalies near shore depending on the ice conditions at the completion of the regional survey.

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ARCTIC ISLANDS
PETROLEUM VENTURE
CANADA

KING RESOURCES COMPANY OIL AND GAS LAND MAP of NORTHERN ARCTIC ISLANDS locating the following: (Scale 1" = 50 miles)

1. KING RESOURCES COMPANY OIL AND GAS PERMITS and OPTION LANDS.

2. The first TWO EXPLORATORY OILWELLS to be drilled within the SVERDRUP BASIN (Panarctic Oils Ltd.).

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ARCTIC ISLANDS PETROLEUM VENTURE

CANADA

KING RESOURCES COMPANY OIL AND GAS PERMITS IN THE ARCTIC ISLANDS

Permit Nos.	Gross Acres	Net Acres	Company	Remarks
Arctic				
A2993-3089 exc. 3086, 3090-3104, 3151, 3222-3242, 4575-4590	6,019,669	6,019,669	KRC	
A2562-2570, 2815-2889	4,785,503	2,392,751.50	Siebens	50% undivided interest. KRC to satisfy 100% work obligations for 1st two periods (4 yrs.). Earned interest subject to 3% ORR.
A3437-3705	14,659,591	7,329,795.50	Transalta	
A2749-2753, 2761-2762, A3105-3106	482,193	241,096.50	Yellowknife	50% undivided interest. KRC to satisfy 100% of work obligations for 1st two periods (4 yrs.) to earn 25% interest. Option to earn additional 25% by satisfying work obligations for 3rd period (2 yrs.)
A2758-2760	155,412	77,706	Midcon	50% undivided interest. KRC to satisfy 100% of work obligations for 1st two periods (4 yrs.) to earn 25% interest. Option to earn additional 25% by satisfying work obligations for 3rd period (2 yrs.)
A2754-2757	105,385	52,692.50	Inter-Rock	50% undivided interest. KRC to satisfy 100% of work obligations for 1st two periods (4 yrs.) to earn 25% interest. Option to earn additional 25% by satisfying work obligations for 3rd period (2 yrs.)

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1 of 4

Permit Nos.	Gross Acres	Net Acres	Company	Remarks
Option Permits				
A2410-2415, 2515-2551, 2561	2,093,816	2,093,816	Citizens	Option to purchase 100% undivided interest. Option to March 1, 1972. KRC to expend 20¢/ac during option period. Option may be extended by satisfying work obligations and paying cash to Citizens. Option may be exercised by paying: $2.00/ac during 1st option period $3.00/ac during 1st extension period. $4.00/ac during 2nd extension period. Option interest will be subject to 3% ORR with right to convert to 12½% net carried working interest.
A2475-2481, 2484-2493, A2497-2501	1,020.240	510,120	CIGOL	Option to earn 50% undivided interest. KRC to satisfy work obligation for 1st two periods (4 yrs.) with option to drill test well 10,000' to 14,000' to earn interest in part lands. May drill second well to earn interest in balance of lands.
A2809-2814, 3107	343,340	171,670	Sabre	Option to earn 50% undivided interest. KRC to satisfy work obligations for 1st 3 periods (6 yrs.). Option may be extended year by year. KRC to drill test well to earn interest.
2746-2747	54,664	27,332	Western Decalta	Option to earn 50% undivided interest. KRC to drill test well to earn interest. Consideration for option and election dates related to an option on other permits located elsewhere.
TOTALS	29,719,813	18,916,649		

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ARCTIC ISLANDS, NORTHWEST AND YUKON TERRITORIES
OIL AND GAS LAND REGULATIONS

The Federal Government owns the oil, gas and other mineral rights underlying some 1.4 million square miles in the Yukon, Northwest Territories and Arctic Islands known as Canada lands. These lands, which come under the administration of the Minister of the Department of Indian Affairs and Northern Development, Ottawa, are divided into what are known as grid areas. A grid area lying north of 70° latitude is bounded by successive meridians 30 minutes of longitude apart. The north and south boundaries of all grid areas are defined by each successive 10 minutes of latitude.

The following is an abbreviated summary of some of the more pertinent regulations for permits north of 70° latitude governing these rights which became effective June 6, 1961.

EXPLORATORY LICENCE

An exploratory licence may be issued for a fee of $25 to any person over 21 years of age or to a company incorporated or licenced to do business in Canada or incorporated in any province. This licence entitles the holder to explore for oil and gas by means of aerial mapping, geological and geophysical examinations and under certain circumstances to investigate the subsurface. Licence expires on the 31st day of March next following the date of issue.

PERMITS

A permit may be issued for a fee of $250 to any person over 21 years of age or to a company that is incorporated or licenced to do business in Canada or incorporated in any province. A permittee also requires an exploratory licence to do work. If the lands in question were previously held under an expired permit or lease, tenders must be called for their disposition. No permit can exceed one grid area, although certain conditions do allow permits to be grouped in areas not exceeding two million, five hundred thousand acres.

The primary term of a permit is six years. All permits require deposits with the government from 5¢ to 20¢ per acre for periods of various lengths depending on location. These deposits may be in the form of money, bonds, or an approved promissory note, payable on demand, that a Chartered Bank has agreed to honour on presentment for payment. All permits may be renewed for 6 additional one-year periods, provided satisfactory work has been carried out during the preceding period and upon payments of additional deposits for each period from 20¢ to 50¢ per acre. Further ninety-day extension periods are available if drilling is being carried out. Refund of deposits may be obtained up to the amount expended on exploration. Under certain circumstances, deep exploratory wells may be credited with

twice the amount actually expended on drilling the well. Moreover, any amount expended on research for the development of new methods of exploration and transportation on Canada Lands may be allowed when prior approval is obtained. Permits may be transferred to another party complying with the foregoing regulations. The Minister may require an area within a permit to be converted to lease within one year following the completion of a commercial oil or gas well.

Expenditures

Every permittee shall within ninety days after the end of a period submit to the Chief a statement in triplicate of the expenditures made for exploratory work done on the permit area or group of permit areas during that period.

Where the expenditures are made for exploratory work done on or off a permit area for the purpose of obtaining information of a general nature that may be of value to the permittee in connection with work being done by the permittee, the Chief may consider the expenditures to have been made in such amounts as the permittee may request on any permit area or groups of permit areas for which, in the opinion of the Chief, the work done is beneficial.

Where the Chief has designated a well as an exploratory deep test well, the amount expended on drilling that well shall be deemed to be an amount equal to twice the amount actually expended on drilling that well.

An amount expended for research that, in the opinion of the Chief, is conducted with a view to developing new or improved methods, systems, processes or mechanisms, required especially for the exploration, development or transportation of oil and gas under Canada Lands, may be considered to be an allowable expenditure when prior approval for the research was obtained from the Chief.

Grouping

A permittee may group permit areas not exceeding two million five hundred thousand acres any parts of which areas are within a circle having a radius of one hundred miles or are contiguous.

Allowable expenditure made on any permit area within a group, during the period of the grouping shall, at the request of the permittee, be applied to any or all of the permit areas within the group.

Where allowable expenditure is applied to a permit area, that expenditure shall not be transferred to any other permit area.

A permittee may from time to time regroup his permit areas.

Reports

Every licensee, permittee or lessee shall, at least fifteen days

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prior to commencing exploratory work, send a written notice, in duplicate, in a form approved by the Chief, to the Oil Conservation Engineer stating

(a) the date on which he expects to commence the work and to complete the work;
(b) the purpose and nature of the work;
(c) the approximate acreage of the area on which the work is to be done together with a map showing the boundaries of the area;
(d) the equipment he intends to use;
(e) the name of the person in charge of the work, and
(f) the number of persons to be employed.

Written notice required at least forty-five days prior to commencing exploratory work on an area that is wholly or partially covered by seacoast waters.

Every permittee shall, within sixty days after the fourth, seventh, tenth and twelfth anniversaries of the date on which the permit was issued, the expiration, cancellation or surrender of the permit, forward to the Chief in triplicate

(a) copies of all aerial photographs taken by the permittee;
(b) a geological report of any area investigated including geological maps, cross-sections and stratigraphic data;
(c) a geophysical report of the area investigated; and
(d) reports of all surveys that were conducted on the permit area.

The geophysical report shall include

(a) where a gravity survey has been conducted, maps showing

(i) the location and ground elevation of each station,
(ii) the final corrected gravity value at each station,
(iii) the gravity contours drawn on the gravity values, and
(iv) the boundaries of the permit areas;

(b) where a seismic survey is conducted, maps on a scale of not less than one inch to one mile showing

(i) the location and ground elevation of each shot hole,
(ii) the corrected time value of each shot hole for all horizons determined during the course of the survey.
(iii) contours and isochrons drawn on the corrected values with a contour interval of not more than one hundred feet or the equivalent in time, and
(iv) the boundaries of the permit areas; and

(c) where a magnetic survey is conducted, maps showing

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(i) the location of the flight lines,
(ii) the magnetic contour lines at intervals of ten gamma, and
(iii) the boundaries of the permit areas.

LEASES

Several methods are available for obtaining an oil and gas lease on Canada Lands. A lessee must be a Canadian citizen over 21 years of age or a Canadian corporation. In the case of a corporation, the Minister must be satisfied that at least 50% of the issued shares are beneficially owned by Canadian citizens or that the shares are listed on a recognized Canadian stock exchange. While leases may be transferred with the approval of the Department, the new lessee must also comply with the foregoing regulations.

For a fee of $10 plus the first year's rentals, a permittee may convert his permit to lease. Normally he would be entitled to acquire not more than one-half the permit area under lease with the balance reverting to the Crown (the Federal Government). The selection of these lease lands must comply with regulations regarding size of lease blocks and proximity to other blocks. However, under a Land Order issued in October, 1961, if the permittee wishes also to convert to lease that portion of the permit area which would normally revert to the Crown he may do so by paying an additional royalty on any production from this portion. This amounts to a maximum of 40% of the southern-most lands decreasing as you go north to a minimum of 5% covering most of the Arctic Islands.

Grid area for permits north of latitude 70° is divided into 60 sections. A section is divided into 16 units.

Lease Area

A lease area shall be composed of quadrilateral blocks of sections not larger than five sections by three sections or four sections by four sections.

Where leases are granted for not more than two-fifths of the number of sections in the permit area held by the applicant, the lease areas may be composed of quadrilateral blocks of sections not larger than six sections by three sections.

The lease areas within a permit area shall

(a) corner one another;
(b) be separated from one another by at least one section; or
(c) be a combination of the blocks referred to in paragraphs (a) and (b).

Leases may also be obtained from cancelled or expired permit lands by way of tender. This tender may be in the form of a cash bonus; a deposit commitment for exploratory work to be performed; or a cash bonus plus a drilling commitment.

Lease rentals are 50c per acre for the first year and $1 per acre per year thereafter. Rentals may be reduced by excess expenditures on

permits up to 50% of the rental. The term of a lease is twenty-one years, renewable for successive periods of twenty-one years if the lease is capable of commercial production. Leases may be surrendered in whole or in part provided the surrendered part is not less than one section.

Rentals may also be reduced if oil and gas is discovered in commercial quantities but exploration has not begun. Rental will not be reduced more than one-half.

The Minister may require the lessee to commence drilling a well within three years of date of lease. Subject to certain restrictions as to areas and size, leases may be grouped for the purpose of complying with this provision.

Reports

Every lessee shall at least thirty days before the end of each year of his oil and gas lease, send to the Chief a statement in triplicate of the amount expended by the lessee for exploratory work on the lease area.

Every statement shall be verified by a statutory declaration and shall include

(a) the items of expenditure;
(b) the number of the lease area on which the work was done;
(c) the specific purpose for which each item of expenditure was made; and
(d) three copies of all reports, photographs, maps and data concerning work for which expenditure is claimed.

Grouping

A lessee may group lease areas that are within a circle having a radius of twenty-four miles; and that cover an area of not more than two hundred and fifty thousand acres.

A group is terminated by the discovery of oil or gas.

A lessee may from time to time group or regroup a[illegible] of his lease areas.

The lessee may lease available surface rights from the Crown. Arrangements for the use of other surface rights should be made within the owner of such rights and if a satisfactory agreement cannot be reached, the matter may be submitted for arbitration.

ROYALTIES

The normal royalty for oil and gas produced and sold from Canada Lands is 5% for first five years of commercial exploration, thereafter 10%.

No royalties are payable for oil and gas consumed for drilling and production purposes or returned to the formation. In certain cases,

to increase the economic life of a property, the royalty may be reduced. The foregoing figures do not include the special additional royalties mentioned previously in this bulletin.

SURVEYS

Every legal survey shall be made in accordance with instructions of the Surveyor General.

Every plan of a legal survey shall be signed by the surveyor and submitted to the Surveyor General accompanied by the surveyor's field notes annexed to an affidavit of the surveyor verifying that he has executed the legal survey faithfully and correctly.

Every permittee or lessee shall, as soon as possible after an exploratory well is completed, send to the Oil Conservation Engineer a plan of a legal survey in triplicate, approved by the Surveyor General, showing the position of the well relative to the nearest target area.

Every permittee or lessee shall, before the suspension or abandonment of any exploratory well, send to the Oil Conservation Engineer a plan that clearly shows the surveyed position of that well.

A permittee or lessee may, in lieu of sending the plan, send to the Oil Conservation Engineer an aerial photograph on which the position of the well has been clearly marked.

Every permittee or lessee shall, before drilling a development well, send to the Oil Conservation Engineer three prints of a plan of a legal survey approved by the Surveyor General showing the target area and on which the approximate position of the proposed well relative to the target area has been superimposed in ink.

Target Area

A target area is an area of land six hundred feet square lying within a unit and oriented due north-south and east-west and situate symmetrically about the intersection of a line joining the midpoints of the east and west boundaries of the unit with a line joining the midpoints of the north and south boundaries of the unit.

A target area shall be referred to by the letter of the unit in which the target area is located.

ADDITIONAL ROYALTY

For every grid area, the whole or greater of which is covered by sea-coast water, the additional royalty payable is:

OIL - In the case of a volume set out in Column I of the following table, an amount equal at the wellhead of the portion of that volume set out opposite thereto in Column II.

GAS - 5% of the value for which such gas or products (including sulphur, helium, natural gas liquids and condensate) are sold after processing or separation.

Additional Royalty for Oil

Column I Production volume, in barrels, allocated to or obtained from one acre and one horizon during one month	Column II Royalty Portion
0 to 16	5% of the number of barrels produced and sold.
16 to 64	0.8 bbls. plus 8 1/3% of the number of barrels produced and sold in excess of 16 bbls.
64 to 128	4.8 bbls. plus 12½% of the number of barrels produced and sold in excess of 64 bbls.
over 128	10% of the number of bbls. produced and sold.

For all lands north of 70° north latitude not included in the above the additional royalty payable is:

OIL - In the case of a volume set out in Column I of the following table, an amount equal at the wellhead of the portion of that volume set out opposite thereto in Column II.

GAS - 5% of the value for which such gas or products (including sulphur, helium, natural gas liquids and condensate) are sold after processing or separation.

Additional Royalty for Oil

Column I Production volume, in barrels, allocated to or obtained from one acre and one horizon during one month	Column II Royalty Portion
0 to 16	5% of the number of barrels produced and sold.
16 to 64	0.8 bbls. plus 8 1/3% of the number of barrels produced and sold in excess of 16 bbls.
64 to 128	4.8 bbls. plus 12½% of the number of barrels produced and sold in excess of 64 bbls.

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KING RESOURCES COMPANY

ARCTIC ISLANDS OIL & GAS PERMITS

29,663,728 Permit Acres

WORK DEPOSIT REQUIREMENTS				Accum. Totals
1968 - July, 1970	5¢ per acre =	$1,483,186.40		
July 1970 - Jan. 1973	15¢ per acre =	$4,449,559.20	=	$5,932,745.60
Jan. 1973 - Jan. 1975	20¢ per acre =	$5,932,745.60	=	$11,865,491.20
1975	15¢ per acre =	$4,449,559.20	=	$16,315,050.40
1976	20¢ per acre =	$5,932,745.60	=	$22,247,796.00
1977	40¢ per acre =	$11,865,491.20	=	$34,113,287.20
1978	50¢ per acre =	$14,831,864.00	=	$48,945,151.20
1979	50¢ per acre =	$14,831,864.00	=	$63,777,015.20
1980	50¢ per acre =	$14,831,864.00	=	$78,608,879.20

Cowett - 7/21/70

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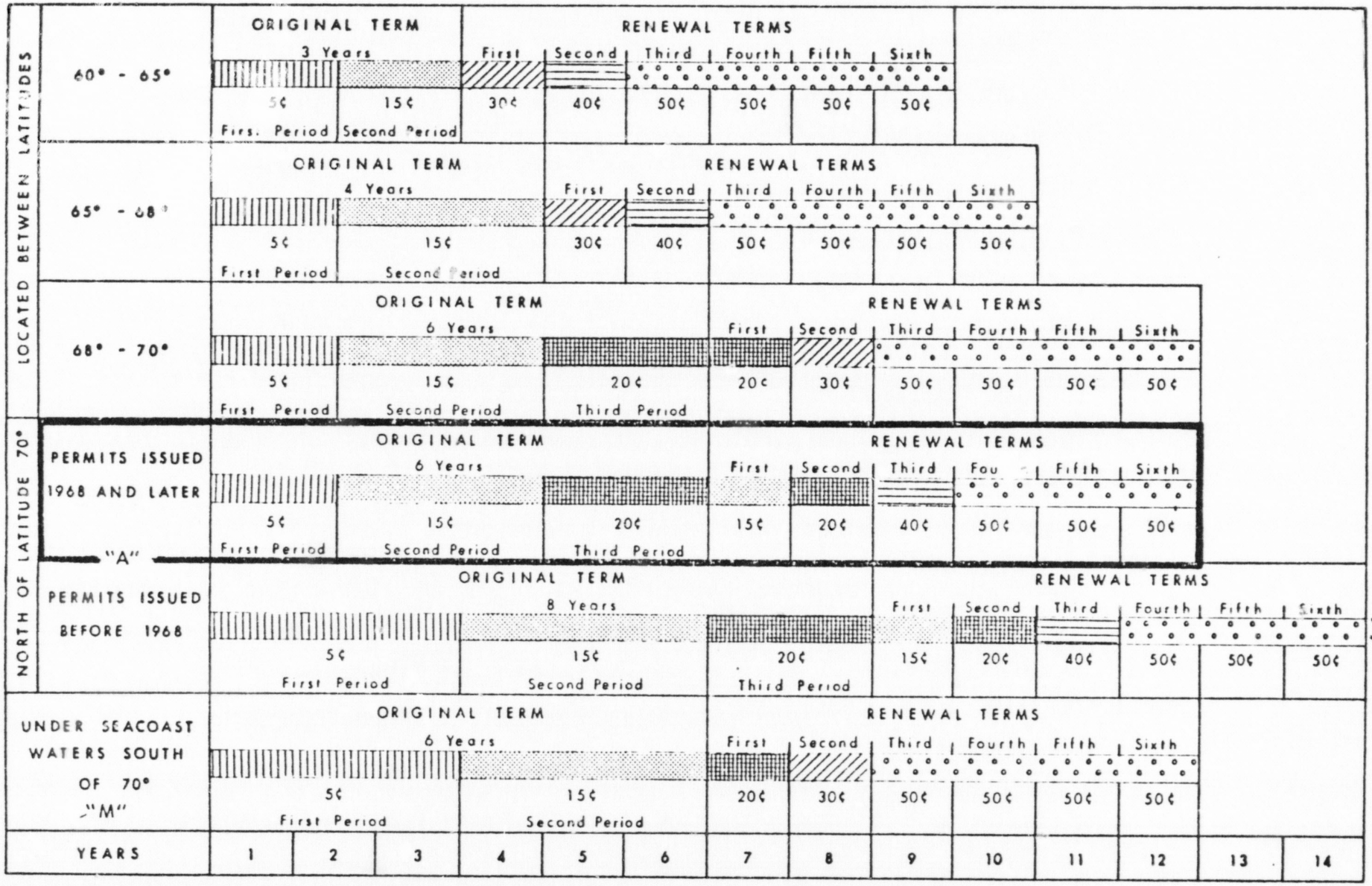
Schedule "B"
Illustrating
PERMIT TERMS AND DEPOSIT REQUIREMENTS PER ACRE



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#1154 DRAFT

May 25, 1970

Arthur Andersen & Co.
1700 Broadway
Denver, Colorado 80202

Gentlemen:

In connection with your examination of the financial statements of the Natural Resources Fund account of Fund of Funds Limited as of December 31, 1969, you have inquired whether we have knowledge of any repurchase commitments or other guarantees made by King Resources Company, any of its subsidiaries, or any Company officers or companies controlled by them involving the interests in arctic petroleum and natural gas permits sold by King Resources Company in December, 1969, to Consolidated Oil and Gas, Inc., John W. Mecom, Lake Shore Associates and John M. King. We give you our assurance that, to the best of our knowledge and belief, there are no such arrangements, verbal or written, whereby the purchasers of such interests could turn them back to the Company, any of its subsidiaries, or any Company officers or companies controlled by them in settlement of the purchasers' obligations under the respective contracts of sale. It is our opinion that the purchasers of such interests are legally obligated to pay King Resources Company the full

amounts specified inthe contracts as purchase price of the permits and work obligation commitments ($10,436,484 for Consolidated Oil and Gas, Inc., $5,218,241 for John W. Mecom, $5,218,241 for John M. King, and $2,609,120 for Lake Shore Associates).

Very truly yours,

KING RESOURCES COMPANY

_____

John M. King, Chairman

_____

A. Rowland Boucher, President

A 1156

DX CF 156

UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF NEW YORK

- - - - - - - - - - - - - - - - - - x

:

UNITED STATES OF AMERICA

:

-against-

:

BERNARD CORNFELD

:

- - - - - - - - - - - - - - - - - - x

United States Courthouse,
Foley Square,
New York, N. Y. 10007

July 21, 1970
11:00 a.m.

APPEARANCES:

GARY NAFTALIS, ESQ.,

Assistant United States Attorney

Lawrence Greenberg,
Acting Grand Jury Reporter.

BLITZ-LORDER REPORTING CO.
CERTIFIED SHORTHAND REPORTERS
15 PARK ROW, N.Y. 10038
PHONE: 349-5790

rb

THE FOREMAN: There is a quorum present.

E D W A R D M. C O W E T T, recalled as a witness by the Grand Jury, having been previously sworn, resumed the stand and testified further as follows:

EXAMINATION BY MR. NAFTALIS:

Q Would you state your name and spell it for the recorder?

A Edward M. C-o-w-e-t-t.

Q Mr. Cowett, as you know, my name is Gary Naftalis and I am an Assistant United States Attorney.

You appeared before this Grand Jury on two previous occasions. At that time, I was here with Mr. Robert Morvillo, another Assistant United States Attorney. At that time, you were advised of certain constitutional rights.

Do you wish me to readvise you of those rights?

A No.

Q You understand them?

A Yes.

Q Last time you were here, I asked you certain questions about certain loans that had been made by Investors Overseas Services and/or its banks.

A Yes.

Q Are you familiar with an organization called

the Gama Foundation or the Gama Partnership?

A I know of it.

Q Do you know when it was founded?

A I believe in the last few months of 1969.

Q Is Gama Foundation an offshoot of Foundation Equipment Associates?

A Yes, it is.

Q Are you a member of Foundation Equipment Associates?

A Yes.

Q Can you tell us when Gama Foundation was started?

A I believe that Gama was organized with the same participating limited partners as Foundation Equipment Associates, that its capital came from accumulated profits of Foundation Equipment Associates. I am not sure on that, but that's my belief, and that it purchased aircraft which were leased on a net pay out lease basis to Braniff Airlines, and that the senior financing on that was obtained from a non affiliated banking source.

Q Do you know who that non affiliated bank source was?

A No.

Q And there was no loan made from Investors Overseas to Gama Foundation?

A Not that I am aware of.

Q Was Gama Foundation involved in leasing certain airplanes to Braniff Airlines?

A Yes, I believe they were 707s or 737s.

Q Were there any other loans made by Investors Overseas Services or the Overseas Development Bank to any people for the purchase or leasing of aircraft?

A You mean other than the Gama?

Q Other than Gama.

A There was no loan in Gama.

Q Right.

A There were three loans, each in the original amount, I guess, of 545 or $550,000, separate loans made to individuals connected with the I.O.S. organization.

There was a loan of $540,000 -- 45 or $50,000 to a gentleman named Eli Wallitt, a similar loan in a similar amount for a loan made to Roy Kirkdorffer, and a loan in a similar amount made to a gentleman named Harvey Felberbaum. Each loan was in an amount sufficient to enable the individual to purchase for his own account a Handley or Hadley Page Aircraft, that's an aircraft of British manufacture. That was not leased to a U. S. feeder

airline, small airline.

Those were three loans each in the similar amount on similar type plane, each to one individual.

In addition, Mr. Bernard Cornfeld, for his own account, had purchased various airplanes, and in connection with the purchase of various airplanes, the I.O.S. banks either guaranteed obligations which he incurred to the manufacturer of the planes, the purchase price of the planes, or guaranteed notes which he delivered to the seller of the planes.

But I do not believe it was a direct loan from any of the banks in connection with any planes purchased by Mr. Cornfeld. I believe it was a series of guarantees for which Mr. Cornfeld had put up collateral at the banks.

Q With respect to Mr. Felberbaum, Kirkdorffer and Wallitt, these were the direct loans from Overseas Development Bank?

A Yes, that's right.

Q Who approved these loans?

A In the final analysis, I guess I did. I did not negotiate the terms of the loans or the mechanics of the loans, but the final approval came to me.

Q Who negotiated the terms of the loans?

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A People within the banks who devote their time to the banks' affairs, a high percent of their time to employment.

Q Who are they?

A I suspect that either of one -- either of two individuals would have been involved, either a gentleman named Philippe Doubre, who is a manager of Overseas Development Bank, or a gentleman named Jacque Witmerr, who is also a director and manager of Overseas Development Bank.

Q You mentioned earlier that you gave final approval, so to speak, of these loans.

Did anybody else connected with I.O.S. approve these loans?

A I don't think so.

Q Are you familiar with an organization known as Regency Income Corporation?

A I am.

Q What is Regency Income Corporation?

A It is a subsidiary of a company called Colorado Corporation. It is located in Denver, Colorado and it is engaged in the business of arranging equipment leasing on a variety of types of equipment. But principally, airplanes and oil and gas, fuel drilling equipment

and operating equipment.

Q Does Regency Income Corporation have any involvement in the Beta Foundation?

A It was the organization which in effect procured the equipment to be purchased and then leased out, and it arranged the transaction.

Q Does Regency receive a fee for doing this?

A Yes, it does.

Q Do you know what the fee was in connection with the Beta Foundation arrangement?

A I am not quite sure. I think it was in the amount of between [illegible] and $100,000.

Q Is that a flat fee that they usually pay --

A No, it is calculated on some sort of percentage relationship, but I am not sure how it is calculated. I think it equals a small percentage of the interest differential between what is paid for financing and what is earned on the leasing of the equipment.

Q When you approved the loans to be given to the Beta Foundation on behalf of the Overseas Development Bank, who did you deal with on the other side? Did you deal with Regency, did you deal with Mr. Malin, or someone else connected with the Beta Foundation?

A Well, I certainly spoke with Mr. Malin, since

he was the lawyer who was preparing the papers, and drawing together the participants in the Beta Foundation.

And I also spoke to two of the principal officers of Regency -- three of the principal officers of Regency, I guess, about the transaction itself. It had been something which had been underway for several months.

Q Who are the people at Regency that you spoke to?

A David Kerr, Darby Smith, and Walter Schirra.

Q With regard to Beta Foundation, who is the one who selected which people would be in Beta Foundation, and as to what shares they would get?

A Mr. Malin.

Mr. Malin was retained by I.O.S. to render advice and services to its executives and managers, generally. And Mr. Malin on a continuing basis was more or less familiar with the individual financial situations of a wide variety of people or great number of people, and he was the one who had spoken to them and apportioned participation.

Q Did you have any say as to who would participate or exclusively Mr. Malin?

A No, I suggested to Mr. Malin people who he

might discuss this with. But he generally had discretion here.

Q So the ultimate decision as to who would participate would be Mr. Malin?

A I don't think so much it was a decision. I think it was a question of having an availability of a certain amount of participation and finding people within the organization or friends from outside the organization who might find it to their advantage to take part of that quota.

Q Do you know a man named Robert Friedman?

A Yes, I do.

Q And Robert Friedman was a person who was a partner or co-venturer of Beta?

A Yes, that's correct.

Q Do you know how Mr. Friedman became involved?

A Mr. Friedman is a close personal friend of mine, dating way back to childhood, and also personally friendly within the I.O.S. organization. He has from time to time done a variety of services as an independent broker or independent consultant for I.O.S., and he has without being part of the I.O.S. organization, been close to us for a number of years.

And Mr. Friedman we considered part of the

I.O.S. family in the sense that he was a person we wished to accommodate, if we could. And I believe that it was Mr. Malin who spoke to Mr. Friedman on my suggestion, but I am not sure whether it was Mr. Malin who broached the subject of participation with Mr. Friedman or whether I did directly.

Q The Foundation Equipment Associates was another one of these partnerships which you testified about last time.

A Yes.

Q And the Foundation Equipment Associates was in a sense similar to Beta?

A Yes, it was the first of the various partnerships and co-venturers that were organized.

Q Was the participation of individuals in that done in the same manner as with regard to Beta Foundation, that is, you suggested certain names of people to Mr. Malin, Mr. Malin would discuss it and work out the details?

A Yes, except that Foundation Equipment Associates was the first of these transactions, and I took a more direct interest in it since it was really a pilot to see whether this was a feasible mechanic and whether it was something that could be followed up with similar transactions in the future.

And so in this particular one, I took a more direct influence -- interest, and I would say that I had more influence in actually selecting the people and putting it together.

Q When you say you took a more direct interest, by that do you mean you played a greater role in the selection?

A Yes, not only that, but I looked into the transaction in detail and saw the projections vis-a-vis, the income that would be generated from the rental of the equipment, the spread of income on the various equipment included, and the business details of the transaction.

I was much more directly involved in that one.

Q Was Mr. Arthur Lipper a partner in Foundation Equipment Associates?

A Yes.

Q Was Miss or Mrs. Nancy Stewart?

A Mrs.

She was.

Q And Mr. Peter Tozchek?

A Yes.

Q How did these people become involved?

A On my suggestion.

Q Did Mr. Arthur Lipper have a relationship with Investors Overseas?

A Well, Mr. Lipper, Mrs. Stewart, and Mr. Tozchek are all connected with the firm, Arthur Lipper Corporation, which is a member of the New York Stock Exchange, and it is a firm with which I always had done a great deal of business and did a great deal of business through the years.

And we do not have an interest in that firm, and that firm does not have an interest in I.O.S., but Arthur Lipper Corporation performed a great many services for I.O.S. as a broker and had a close relationship with I.O.S. I would say they fall into the very distinct category, corporate friends.

Q And that was the reason why Mr. Lipper, Mrs. Stewart, Mr. Tozchek --

A Well, in the same way that certain of the lawyers who represented I.O.S. were based in the United States, were in effect also invited to participate in that transaction.

Q By that, you mean Mr. Stamer and Mr. Haft?

A Yes, but also Mr. Feder and Mr. Malin. I believe Mr. Malin was also a participant.

Q At that time, Mr. Feder was not directly

connected with Overseas?

A No, he was not.

Q He was still with Willkie, Farr & Gallagher?

A Yes, correct.

Q You spoke earlier about certain bank guarantees on the purchase of airplanes by Mr. Cornfeld.

A Yes.

Q And who approve these guarantees?

A I wish I could say that I approved the guarantees. They sort of happened.

Mr. Cornfeld was the chief executive officer and in many ways the controlling person of I.O.S. and people at the bank tended to approve whatever he requested simply because he was he.

Now, the guarantees that -- particularly the last guarantee that was given, were guarantees that were put on by the bank personnel without getting prior approval. I think I should explain something at this point because it is going to run through these questions. It relates to some past answers.

Within the structure of I.O.S., the banking group was headed by an individual. That individual who was in direct charge of all the I.O.S. banks was responsible to me, so I have the overall responsibility for the

banking group. And there was an individual under me who had direct responsibility on a more day to day basis.

However, I.O.S. being the organization that it was, many times there would be no set procedure followed on a particular transaction. And there would be after the fact approval for something that had been done.

And I think the point, plain guarantees is a perfect example.

Q When you say it was after the fact approval, in other words, were you told about it after the fact and approved it or was the board after the fact and approved it or exactly what do you mean by that?

A I mean that the guarantee -- the commitment of the bank for the guarantee was given, I was then told about. I have to live with it. And then later it was approved formally by the Overseas Development Bank board in full session.

Just as most of these things were, after, when I say I approved something, it was done and then the bank directors would approve it at their next regular meeting.

Q Was this true with regard to the loans Mr. Cornfeld had at these various personal advances, these

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were not approved and advanced by anyone?

A Generally speaking, no.

Q Do you recall any particular cases, any particular loans to Mr. Cornfeld or any particular guarantee had advanced approval by yourself or some member or members of the respective board of directors?

A There were occasions. I can't recall specifically, but there were occasions when I would get specific calls from Mr. Doubre or Mr. Witmerr asking a question about a particular transaction that Mr. Cornfeld wished to do or a particular payment to be made.

As I say, in all these cases, my approval or the approval of Mr. Sterling who was the gentleman who was in direct charge of the banks, would be later ratified by the board at its next regular scheduled meeting.

Q Let me be sure I understand you.

With regard to Beta Foundation or Beta Associates, you did approve that loan prior to making the loan?

A That's correct.

Q And with regard to those airline purchases -- the reasons for the purchase of airlines by Mr. Felbenbaum, Kirkdorffer and Wallitt, you approved prior to their going

through also?

A That's correct.

Q And with regard to the roughly $1/2 million guarantee to Foundation Equipment Associates, you approved that beforehand also?

A Correct.

It was part of my regular function.

Q Did there come a time when the Fund of Funds made some investments in mineral land in the Arctic Region of Canada?

A Yes.

Q When did that occur?

A It occurred over a period in several transactions. 1968 and the beginning of 1969.

Q When was the first transaction, when did that occur, as best as you can recall?

A I believe November of 1968, but I am just picking a date, which I think is reasonably accurate.

Q What was the initiative for the purchase of these Arctic mineral lands?

A I think we better get --

Q These exploration rights.

A They are called oil and gas permits.

These were and are permits that enable the

holder to explore for oil or natural gas, and permit the holder to make certain expenditures in that exploration. Assuming that exploring expenses are born and something is found, then the holder of the permit ends up with the operating rights and ownership of the mineral -- of the oil and natural gas rights on the property.

Now, these were purchased for a particular segregated account of the Fund of Funds called Natural Resources Fund Proprietary Account.

Q Who was the person in I.O.S. or Fund of Funds who initiated the idea of purchasing these exploration rights or these permits?

A Nobody.

Q How did it occur? How did the decision occur?

A The Fund of Funds directors in April of 1968 approved the concept of investing a portion of the Fund's assets in various natural resource properties.

Now, the understanding of the directors was relatively simple. First of all, investments would be made in the kind of properties that can be classified as wildcat properties, exploration properties as opposed to developing properties.

Secondly, that investments would be made in a variety of natural resource products, not just one or

two, that they would be made in a variety of natural resource prospects. Prospects for oil and natural gas or gold or silver or uranium or titanium or any other project that can be classified as a natural resource, so that what was contemplated was a diversified investment portfolio and a wide variety of natural resources of exploratory projects.

Now, we did not have the expertise to either initiate or conduct natural resource exploration. We relied heavily on a company called King Resources Company in Denver, Colorado, to locate suitable investment properties for us. And in effect, to co-venture the particular natural resource investments that they would make with us.

It was understood that each property that we would invest in, they would also invest in, either themselves or a corporate affiliate. It was understood that we would own no more than 50 percent of any particular property, and that they would receive for their supervision, their finding of the properties, and their management of the properties, a 12-1/2 percent net operating profits interest, or override, or royalty in the individual properties.

Now, the Arctic oil and natural gas

permit investments were made at the suggestion of King Resources Company, and as a part of the co-venture with them.

Q When you say at the suggestion of King Resources Company, was their anybody in particular that you dealt with at King Resources?

A Well, we were a -- I should say Fund of Funds was a good client of King Resources and there were a number of people at King that would work on the account.

Q Mr. John King, himself, did he have any deals with this account?

A Very few. Naturally, the workings of the account were probably under the direct supervision of a gentleman named Rowland Boucher, who was the president of King Resources Company.

Q Who would he deal with at Fund of Funds?

A Well, originally, the way we had set it up, not a director of Fund of Funds, a gentleman named Eric Scott, who is a Canadian and lives in Toronto, who, over a period of many years had a reasonably great familiarity with natural resource investing. Mr. Scott is a former president of the Toronto Stock Exchange and a senior partner of a Canadian securities firm.

And over the course of his business activities,

he has been involved with many natural resource companies. When we set up and approved the concept of the Natural Resources Fund account, Mr. Scott was given the job of going out to Denver to discuss with the key executives of King Resources Company the way in which this account would function, the kind of investments it would make, and the procedures whereby the investments were to be handled.

He did go out to Denver. And he made his own investigation, and as a result of that, set up a procedure whereby whenever an investment was suggested, material on that was sent to him in Toronto, together with all the backup and engineering reports, as well as to me in Geneva. And after the first few investments that were made, procedure became an automatic one and the investments would automatically be processed in Geneva, if nothing was heard from Mr. Scott for 25 or 30 days after the receipt of the information. He supposedly reviewed everything, and if he had any objection, raised it.

Q When this matter was initially discussed at the board of directors meeting of Fund of Funds in April, 1968, was any resolution passed?

A Yes, there was.

Q And how long in point of time did a discussion

take which involved this natural resource --

A This was part maybe of a very long discussion dealing with investments and what were termed by us as non market linked situations.

It was our view as directors that the stock market would not always continue to rise and that they might, in fact, go down. And that one way to build in a certain amount of insulation against the fortunes of the stock market was in effect have investments in things which were not dependent upon the market for their value. Real estate, commodities and natural resources.

This discussion in theory, the theory of investments under policy that was to be adopted might have taken as long as five or six years. And Mr. Boucher and Mr. King, and I believe another gentleman from the King Resources Company came to a meeting at the invitation of the board and made a specific presentation concerning natural resource investing, and I believe that presentation took two or three hours.

Q When you say that presentation, you mean it took two or three hours for Mr. Boucher and Mr. King to make their presentation and as to desirability --

A And questions that were asked.

Q How much further discussion was there in point

of time with regard to natural resources?

A Well, as I say, it was part of an overall six hour or five hour discussion. One whole session was devoted to it.

Q Prior to this April, 1968 board meeting, had there been any discussion between yourself and Mr. Cornfeld or between yourselves and anybody from King Resources with respect to these investment possibilities?

A We had been discussing this for a period of three, four, or five months with a view to finding the right way to approach natural resource investing from the Fund's point of view, and Mr. King or Mr. Boucher or other key executives of the King Resources organization had made a number of visits to Geneva, and submitted a variety of material dealing with the possibilities as to natural resource investing.

Q And they had spoken to you?

A They had spoken to me. They spoke to Mr. Cornfeld, to quite a few people in the I.O.S. organization.

Q I take it you and Mr. Cornfeld and Mr. Buhl had discussions among yourselves prior to the April, 1968 board meeting.

A I am sure we did, although I can't specifically recount for you what happened.

Q As a result of this arrangement to purchase certain of these gas and oil permits -- if I am using the right terminology --

A To purchase many things including this.

Q And over what period of time did these purchases take place?

A Six months, I would imagine.

Q And this is between December and June --

A November and maybe May of 1969.

Q November of 1968 to May, 1969?

A Yes.

Q How much in terms of dollars was the I.O.S. investment -- rather Fund of Funds investment --

A Approximately $16 million with a further commitment to invest in the actual expenses of exploration, an additional $10 million.

Q And as I understand, you said that Fund of Funds would own no more than 50 percent of various natural resources ventures?

A Right.

Q Did King Resources put up a matching $16 million to get into this?

A I don't know what they invested. I know they had or have at present a 50 percent interest in the

property. The books of King Resources Company are not open to them.

Q In any event, Fund of Funds invested in 50 percent of the properties and King invested 50 percent of the properties?

A Right.

Q Why don't you give the Grand Jury a brief description of the properties geographically and descriptively what they were.

A We are going to get into some very large areas and very large figures.

The properties consisted of a gross acreage of 36 million acres, approximately. Now, 36 million acres is an area a little bit larger than the State of California. This was not one block of property. This was property spread throughout an area referred to as the Canadian Arctic, which runs from just east of Greenland, almost to Alaska.

And in that area, if you will look at a map, you will see there are a great many places where there are islands, some of them very small, some of them very large. There is a lot of open water, there is a lot of ice, and it goes quite far north.

I think everybody may have heard the Alaska

North Slope or Crow Hoe Bay, where there has been a very major oil find in the last several years.

The Arctic, Canadian Arctic, is suspected to be the place where there is a much larger reserve of oil than even the Alaska North Slope.

In the oil industry, there is a term "Look-a-Likes." Look-a-Likes means a structure which in one location has all the characteristics of a structure in a similar geologic location elsewhere in the world.

One of the intriguing things in the Canadian Arctic situation is there is a look-a-like in the Siberia -- Russian Arctic area, where the Russians have discovered, although not full information has been released, the world's largest gas field, and one of the world's most significant oil fields. There has been a lot of speculation and a lot of glamour and a lot of greens attached to the Canadian Arctic.

Now, in the Canadian Arctic area, there are three or four syndicates or consortiums of oil companies that are looking for this elusive oil which people suspect is there, but haven't found it.

There is a consortium of Canadian oil companies and the Canadian Government, that consortium is called the Pan Arctic Consortium. It included just about all the

major oil companies and they have an exploratory permit on slightly equivalent, maybe slightly more, but more or less, equivalent spread of acreage to what Fund of Funds and King Resources has.

Then there is a consortium headed by Elf, which is a French company, that has a smaller acreage and I think you will find Mobil Oil, Gulf Oil, and a few others have large acreage spreads in the Arctic area also.

Now, this is just by way of introduction and I should say if you were to take a look at a map with the specific acreage where we had the permits, you would find that if this was a color that you were exposing over areas where we had the exploratory permits, that our color would run all throughout the area, but there wouldn't be much of it anywhere in one place. Just like a checker board.

There has been some drilling in the area. Last summer was the first summer when there was any drilling. The Pan Arctic Consortium drilled, I think, four wells. One of them blew out. Blowout occurs when they hit a high pressure mass below the surface and the well gets out of control, and unless the pressure can be controlled, you never quite find out what you have there.

There was a blowout that they had on a place

called Melville Land in the Canadian Arctic. We had property located maybe two miles away from the blowout site. That blowout has not been controlled to this day. There is a wild fire raging up there, even though they brought in from Texas, supposedly, the best of the fire fighting control organizations.

A second well that they dug was a well close to the point of the original blowout. It was done what they called a slant, to try and get -- relieve the pressure on the first well, so they can find out what they had, whether it was gas, oil or what. That second well did not relieve the pressure, but the second well was successful in finding what was later announced to be 150 or 120 or 130 foot layer of oil. That was the first actual confirmed find of oil in the Arctic area. That's on the east side of the Arctic.

On the west side of the Arctic, there is an area called Mackenzie Delta, which is an area where the Imperial Oil Company of Canada has recently, four or five months ago, announced a sizeable oil find. Nothing else that was drilled last summer resulted in any finding of oil.

There are drilling programs going on right now by the various consortiums. One of the problems is that the French consortium, Elf, is not under any require-

ment of either Canadian or U. S. or stock exchange regulations to release any of the information of anything they might find. It is rumored about a month ago they have located oil. They have two years before the requirements of their permits necessitate their release of information about it. It is not known whether they do have oil there or not.

We have property located right in the middle of the area they have been drilling. We only know that we received a series of fairly high priced bids for our specific acreage, so if they haven't found anything, at least they have enough indication that there is something there, that they want the specific acreage that we have there.

Now, in sum and substance, I have not meant to paint a rosy picture. It is what we called an up and out crap shoot, but the gambling odds are getting better because there are things that have been found up there which indicate the presence of something. And it is getting to be a more and more interesting area for oil exploration and speculation.

Q You indicated that there are differences in-between the various areas in the Canadian Arctic, which you invested in terms of the possibilities of explorations

and price of the acreage, et cetera.

What was the difference in price in the acreage in the various portions of the Canadian Arctic in which Fund of Funds invested?

A At the time we invested, we paid a low of 75 cents an acre, and a high of $2 an acre.

Q In which portion of the Canadian Arctic did you pay 75 cents an acre?

A I couldn't tell you, very frankly. Even that was a spread. There were some points -- we paid 75 cents an acre for several million acres, or 50 percent interest in several million acres. That doesn't mean that it was 75 cents for all of them. It might have been as low as ten cents for some and as high as $10 for others.

Q You are just talking about the block?

A That's right.

Q Earlier you mentioned the total price for all these 36 million acres was --

A No, I said there was a 36 million gross acreage. I should have said the net acreage. Some of it has to be returned to the Canadian Government after the period of exploration.

The net acreage is 23 million. For a 50 percent interest in the 23 million acres, it was $16

million paid plus $10 million obligation to do certain work, exploratory work.

Q Did there come a time when Fund of Funds sold a certain portion of its interest in this acreage to King Resources?

A On a conduit sales basis, yes.

Q When did that occur?

A Well, I think I better --

Q When did the negotiations or the discussions for this occur?

A Starting in May or June of 1969, the Fund of Funds board authorized the sale of a portion of the acreage. And from June through December of 1969, there were negotiations and lots of backup studies and work done preparatory to a sale.

There were serious tax problems of the sale, problems over Canadian tax law. There were serious legal problems involving oil and gas law. There were hundreds and hundreds and hundreds of hours of work by lawyers and accountants and myself and other people on this during the period from June through December.

Now, towards the end of December, a contract was signed. It was a part of a tripartite contract.

For tax reasons, our contract permitted us to

sell to King Resources ten percent of our holdings on a spread basis. In other words, ten percent of our overall, not ten percent in specific acreage.

On the first business day of 1970, and King had agreed to sell an equivalent amount, ten percent of our holdings on the last business day of December. So what happened was, King sold on December 30th or 29th or 31st, whatever the last business day was, and then -- and got the payment, and we turned over the equivalent of property to what they had sold on the next business day and took that payment instead of our selling directly to the ultimate purchasers.

Q Who were the ultimate purchasers?

A There were three.

A company called Consolidated Gas & Oil, which is an independent oil company, stock is listed on the American Stock Exchange.

John Mecom, who is a rather well-known Texas oil man, and a private investing partnership called Lakeshore Associates, which is a very small limited partnership form for natural resource investing out of Chicago.

Q And did Lakeshore Associates, Mr. Mecom, and Consolidated Oil & Gas pay the same price for this land as did King Resources?

A Well, King Resources was entitled to a 12-1/2 percent profit, interest, on any profits that we might make. If you adjust for that 12-1/2 percent profit interest, they paid the same price.

Q This matter was first discussed, you say, in May and June of 1969 at a board meeting of Fund of Funds?

A That's right.

Q What was the impetus for wanting to dispose of ten percent of your natural resource assets?

A No, ten percent of these.

Q Of these natural resources?

A We had an embarrassment of riches because if I can now talk about what we owned, not the half interest in the 23 million acres, but property that was equivalent to 11-1/2 we owned, and I go on to say that there had been a rather substantial rise in the net value or the market value of acreage in the Arctic as the feeder for oil speculation in that area grew.

You begin to see the property that we were carrying at cost could have been and was an embarrassment because even a $5 or $3 difference in the valuation of that property was some of 30 or 40 or $50 million, and a fund locally should have a net asset value at which people can buy shares and redeem shares with some degree

of fairness.

Now, if your prices are undervalued, you are paying too little to people who redeem and you are charging too little for people who are buying. If your price is overvalued, too high, people who are redeeming are getting too much at the expense of the people who are staying in. And people who are coming in are paying too much, so that what you try to do is to have a price which is reflected as the true values.

As the value of the Arctic value was accelerated and appreciated, the net asset value of Fund of Funds became less reliable and undervalued and impetus for the sale was simply to establish on the basis of a partial sale to outside knowledgeable people what was the true value of the remaining interest that we had.

Now, this was probably made more intense by the fact that there was a change in German legislation which would require in effect Fund of Funds shareholders, who were subject to German tax laws, to divest themselves, redeem out of their Fund of Funds shares by the end of 1969. If not, they would incur potential difficulties as trust tax effect in Germany.

We have 140 odd million dollars that came from German investors and we felt it was important to establish

the realistic true value of the Fund, so that these redemptions could be handled at the realistic true value.

Q And is this something you discussed with Mr. Cornfeld prior to the board meeting in May or June?

A No, this was a constant subject of discussion.

Q Between whom?

A Anybody connected with I.O.S. in middle management or top management position was included into the situation very well.

Q And prior to this board meeting, did you have any discussions with Mr. King or anybody at King Resources?

A Continually.

Q Were these discussions with Mr. King and Mr. --

A Primarily with Mr. Boucher. I regarded Mr. Boucher as an effective person most knowledgeable here.

Q And prior to the board meeting in May or June, 1969, had you reached any agreement or tentative agreement with King Resources for the sale of this land?

A No, just wanted to know what the probabilities were and the kind of price that could be obtained.

Q Who negotiated the sale on behalf of Fund of Funds?

A The King Resources executives basically.

Q But who was involved, which person in Fund

of Funds was involved?

A I don't think anybody. Our lawyers were --

Q Was King Resources authorized to handle the transaction?

A Yes.

Q Was that part of the board of directors resolution?

A Yes.

Q Was Mr. Boucher or Mr. King present at the board of directors meeting in May or June, 1969?

A When I say May or June, you know, earlier I said the desirability of selling a portion of this came apparently in May and June when we were discussing it, when the first formal board meeting was held, I can't give you a date, but we were discussing it starting in May or June on a continuing basis.

And these were discussions that were wide spread and continuing for months.

Q What point in time did Consolidated Oil & Gas, Mr. Mecom and Lakeshore Associates materialize as purchasers?

A There were a number of potential purchasers. We had a bit of fortuity here because we had originally been talking in May and June about this and the first

people that there were any negotiations with were the Italian National Oil Company which I believe is called INI, and there had been a tentative agreement reached to sell 20 percent of the interest for a price of what would have netted to the Fund $5.15 an acre.

And all of a sudden, Arthur Anderson from the accounting firm for the Fund advised us that as structured, the sale would result in payment of 58 percent of the profits to the Canadian Government as taxes.

And we discontinued the negotiations while we were able to work out the tax problem with Willkie, Farr on this and Arthur Anderson, and it was also a profit for King Resources because they had a 50 percent interest in the property and this tax problem could affect them adversely, too, so their tax attorneys got into it.

And there were no negotiations for a period of two months, I would say, or 2-1/2 months while the tax problems were being studies and a restructuring of the holding, a legal restructuring as to how the properties were held was effected.

So that during the months of, let's say, August and early or middle September, we couldn't sell the property, if we wanted to, because we were still working on the tax problem.

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And then what happened is that suddenly there was a spurt in valuation or values, up their market values. What looked like a very good price at $5.15 an acre, suddenly became a very reasonable price and properties up there started to sell at higher figures. And so, when we were free to start resuming negotiations, it was at a much higher figure and there were negotiations conducted with two or three oil companies in addition to Consolidated and Mecom.

There were negotiations with Ashland Oil, and with a German banking group, and with Elf Oil. One of the key questions became what percentage of the property we would sell because a major oil company would not buy a ten percent interest of our 50 percent which is only five percent of the property. They wanted to buy a larger interest like 25 or 30 percent of the overall.

And there got to be less and less desire to sell the property from the standpoint of realizing a profit because it became a more and more interesting speculation.

And what we finally narrowed down to, and this was in the month of November, I guess, was a desire to sell the absolute minimum that would be valid as a basis for reevaluation of the property and a desire to

hold on to the remainder of the property for whatever might develop up there.

Q In fact, how much did you sell in terms of acreage?

A We sold an amount equivalent to ten percent of our net position. Our net position was 50 percent of the 23 million acres, which was in effect about 1.1 million acres, something like that. Again, not specific acres that were sold, it was an interest in overall. So when Mecom or Consolidated bought a percent of what we held, they bought a percent of every acre ever placed that might be located.

Q What was the price?

A Gross?

Q Yes.

A Gross was $14.12 an acre, but that's a very misleading figure, because the sale was structured in such a way that it was intended to relieve us once and for all of our tax problem and the sale was structured with this in mind more than the gross price in mind. So that the terms of the sale were for the buyers to pick up our obligation for future investing in the Arctic to cover the work obligations we had incurred with the permits, as well as to pay cash.

Now, the payments, the work obligations start right now, and they are being incurred right now. So that the buyers paid a small amount of cash down, they are paying something like eight or $9 million in work obligations over the next two years because there is drilling started up there right now on the property that we have.

And then they defray the remaining of the purchase price in installment payments after work obligations are paid off.

Q Did they give you any kind of promissory note for this?

A Yes.

Q When is that promissory note payable?

A It is set forth in the Fund of Funds footnotes, the whole formula. But basically, all of the work obligations and the cash payments are to be paid off, I believe, in a period of five years or six. I am not sure whether it is five or six.

Q Is this promissory note from the ultimate purchasers or does it run from Kings Resources to Fund of Funds?

A It is assigned to us.

Q It is assigned from King Resources to Fund of

Funds?

A Yes.

Q And the promissory note --

A Each purchaser.

Q Subsequent or at the time of the sale, did Fund of Funds attempt to revalue its remaining position in the Arctic land?

A It did revalue.

What we worked out after months of discussions and study with Arthur Anderson and with our directors and lawyers was a way of discounting the purchase price down to a present value to the Fund. The element of time required to pay out the purchase price was discounted with the loss of money, loss of interest factor.

The accrued taxes that would be payable at the rate of 16 percent on profits were taken out. All management fees were taken out. And what we ended up with was a net valuation to the Fund of $8.01 an acre.

I have just shortcut months of work and literally a full time drawer full of all sorts of compilations.

Q Other than the people, Arthur Anderson and your attorneys, who were involved in Fund of Funds?

A People in the Investing Accounting and

Investment Department and myself, and the Executive Committee of I.O.S. This was discussed at the Executive Committee level which is duly a committee of the board. And at the board of directors.

You must understand that anything which hangs for six or seven months as this had, and anything which has the massive implications that this had, is not just shoved under a carpet.

Q Who is on the Executive Committee?

A All the directors.

Q And the Executive Committee is the same thing as the board of directors?

A That's right.

Under Canadian law, it is the committee of the board and whoever wants to come, comes.

Q Do you know who were the principals in Lakeshore Associates?

A I don't know who all the principals were.

I know that a 20 percent interest, I believe, in Lakeshore Associates at the time of the sale was owned by Mr. Bennett King, who is not a relative of Mr. John King, but who is an officer of King Resources.

Lakeshore Associates bought a 1/2 percent interest -- well, not actually -- 1/4 interest in the

property, so Mr. King's 20 percent ownership of Lakeshore Associates nets down to a 5/100 of one percent interest in the property.

Q And other than Mr. Bennett King, who were some of the other participants in Lakeshore Associates?

A I have no idea.

Q Is Mr. Edgar Greenbaum, Jr. involved?

A I don't know.

Q You don't know Mr. Greenbaum?

A Actually, I met Mr. Greenbaum years ago, but I have no idea whether he is connected with Lakeshore Associates or not.

MR. NAFTALIS: May Mr. Cowett be temporarily excused and remain outside for a few seconds.

THE FOREMAN: You are temporarily excused.

(Witness excused.)

E D W A R D M. C O W E T T, recalled by the Grand Jury, resumed the stand and testified further as follows:

THE FOREMAN: May I remind you, you are still under oath.

THE WITNESS: Yes.

EXAMINATION (cont'd) BY MR. NAFTALIS:

Q Did King Resources -- were they responsible in whole for finding Consolidated Oil & Gas, Mr. Mecom and Lakeshore Associates to purchase the interests?

A Yes.

Q Did you play any role whatsoever in finding these three purchasers?

A No, sir.

MR. NAFTALIS: May Mr. Cowett be excused, Mr. Foreman, subject to recall on 96 hours notice.

THE WITNESS: 96?

MR. NAFTALIS: That is four days.

THE WITNESS: Can we make it a week's notice?

MR. NAFTALIS: Yes, that he be directed that he is still under subpoena by the Grand Jury and he is directed to appear in a week's notice, he should appear.

THE FOREMAN: You are so directed.

THE WITNESS: Thank you.

(Witness excused.)

(Time noted: 12:30 p.m.)

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Denver Regional Office
March 10, 1971

MEMORANDUM OF INTERVIEW

PERSON INTERVIEWED: A. F. Frederickson
King Resources Offices
Security Life Building
Denver, Colorado

PERSON CONDUCTING INTERVIEW: John J. Kelly, Jr., Attorney

DATE OF INTERVIEW: March 10, 1971 at the Denver Regional Office approximately 9:00 a.m.

SUBJECT: King Resources Company (D-1407)

Prior to Mr. Frederickson's appearance at the Denver Regional Office (DRO), he telephoned the undersigned and inquired as to whether or not he could come over to the DRO and pick up a copy of the Commission's brief filed in the King action. Mr. Frederickson appeared at this office and the undersigned gave him a copy of the plaintiff's brief which he was to take with him to make a copy and then return this office's copy.

Mr. Frederickson stated that the Commission was falling down on its job because it would not be sufficient just to have the Court enjoin Boucher from acting as the Commission asked in its brief because Boucher was involved in so many self-dealings on a daily basis that the only way the company could survive was to get Boucher out of the company.

Mr. Frederickson then showed the undersigned a copy of a chart which he stated had been prepared by several people and that the chart appeared to be accurate although it was entitled "Speculation." Mr. Frederickson stated that the chart showed some of the dealings between John King, IOG, Consolidated Oil and Gas and John Mecom.

Mr. Frederickson stated that if the undersigned would assure a certain person that that person would not be prosecuted, Mr. Frederickson could furnish to the undersigned a lot of documents which would prove that there were a lot of side deals between King and others. The undersigned stated that he could not grant immunity and that only the Commission could grant immunity. Mr. Frederickson said that he understood this.

- ☐ Request search on person(s) named on attached Form SEC 655.
- ☐ Request input on person(s) named on attached Form SEC 655A.
- ☐ All or other pertinent persons have been searched.
- ☐ All or other pertinent persons have been input.
- ☒ Search or input unnecessary as to all or other persons.

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Mr. Frederickson then folded a copy of what appeared to be a memo or a letter and showed the undersigned the bottom portion which did not indicate the author of the memo. The undersigned quickly reviewed that portion visible to him which contained statements to the effect that the author of the memo had been present and had seen the contract between King Resources and John Mecom, Sr. calling for Mr. Mecom's down-payment of $275,000 towards the purchase of interests in Arctic properties in late December 1969. The author also stated that there was a side agreement which did not appear in the contract. The side agreement called for the following: John King to provide the money for the down-payment; and to provide the drilling contract on the properties to Mecom which would assure sufficient net profits to cover the additional payments to be made by Mecom toward the purchase of his interests in the properties; and, a buy-out agreement from King to Mecom.

Mr. Frederickson also showed the undersigned a copy of a document headed "Memo", which document appeared to be a handwritten note signed by Timothy Lowry. Attached to this document was a copy of a letter from John King to John Mecom in which Mr. King stated that he would provide the $275,000 down-payment to Mecom and in addition would assure Mecom sufficient drilling profits to cover additional payments and also gave Mecom, Mr. King's buy-out agreement. Mr. Lowry's handwritten memo said something about he (Lowry) was going to keep the attached King letter to Mecom in Chicago along with other valuable papers.

Mr. Frederickson showed the undersigned a copy of a check drawn by Royal Resources Company (signed by its president, a Mr. Hardin) in the amount of $275,000 payable to John W. Mecom, Sr. The check appeared to have been dated sometime in early January 1970. Mr. Frederickson stated that this was the way that John King paid monies to Mecom so Mecom could make his down-payment on the Arctic properties.

The undersigned inquired if this office could perhaps obtain copies of the foregoing documents from Mr. Frederickson. Mr. Frederickson stated that copies could not be obtained and that, in fact, "you have never seen these documents." The undersigned said that this could not be the case and that the undersigned had seen the documents and that it would have to be reported that the documents were shown.

Mr. Frederickson went over some of the items diagramed in the chart. Mr. Frederickson stated that monies that Consolidated borrowed from the State of Ohio flowed through Regancy to John King and Rowland Boucher. Boucher and King used the monies to purchase an airplane, or planes, and leased these 707's to Braniff Airlines. King and Boucher are the beneficiaries of the contract with Braniff. Lawrence Harding, the president of Braniff, is a board member of King Resources.

Mr. Frederickson also stated that the IOS stock that was in the King and Covett Bahamian trusts was Cornfeld's personal stock. Cornfeld had pledged this stock at a bank and the bank was pressing Cornfeld for payment. Cornfeld could not make the payment and he did not want the stock to be sold to other people. Cornfeld contacted Covett who then had an IOS bank loan monies to the Covett and King Bahamian trusts, which trusts then used the monies to pay off Cornfeld's loan at the bank and the trusts then obtained Cornfeld's stock.

Mr. Frederickson stated that Consolidated Oil and Gas purchased interests in the Arctic properties from King Resources around the time that IOS purchased the properties and that Consolidated's purchase price enabled IOS to make a profit on the Arctic transactions since IOS had purchased the properties at a lesser price than Consolidated. Mr. Frederickson stated that there was a side deal to this whereby King Resources purchased a "bunch of moose pasture" from Consolidated. Mr. Frederickson stated that this land is located in the Bristol Bay area of Alaska. Mr. Frederickson further stated that this Bristol Bay transaction was written up as if it had occurred six months after the Arctic transaction but, in fact, it occurred at the same time. Mr. Frederickson stated that Harry Cooper of King Resources (in charge of King Resources' Western Division) looked into this Alaska, Bristol Bay land and found out that it was a bad deal as the acreage was very poor. According to Mr. Frederickson, Cooper complained about this transaction but he was told to keep his mouth shut.

The undersigned inquired if Mr. Frederickson had told Mr. Cooper about Mr. Frederickson's visits to this office. Mr. Frederickson stated that he had and that he believed that Mr. Cooper would furnish information to this office about the Bristol Bay transaction.

Attached to this memorandum of interview is the chart furnished by Mr. Frederickson.

John J. Kelly, Jr., Attorney

Attachment:
Copy of Chart

JJKelly/dn

cc:
Stanley Sporkin, T&M, w/attachment
Richard Rowe, Corp. Fin., w/attachment

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going to hold it.

THE COURT: Look, don't start off on Monday morning taking exception to each other. Your little oration about 7, which I forgot, was not necessary.

MR. MALONEY: I didn't forget it, Judge.

THE COURT: I know. Let us try to keep cool through the spring and be done in the course of the spring with the trial of the case on the merits and we will manage all right.

Are there any other problems?

MR. WING: I think there is one, your Honor. Defense counsel indicated to me that they may attempt to bring into evidence in this trial proof of the present value of the Artic properties. They haven't told me what proof that would be, but my initial reaction was that it would be irrelevant to the issues in this case and to the extent they might have contemplated using that in their opening statement, I would ask the court to preclude such references unless there is an offer of proof which has some basis.

THE COURT: All right. Whose thing is that?

MR. MALONEY: I think it's both of ours,

A 1201 B

your Honor, but I think it is most relevant in a fraud case whether the securities being sold are and were not worth the real value we claim they were worth at time, and the best proof of it is what they are worth in today's market. I think it goes right to the question of whether there was fraud in the first place, and certainly most of the material in relation to my defendant, Boucher, who believed what it was at the time --

THE COURT: The year we are talking about is 1970?

MR. MALONEY: Yes, your Honor.

THE COURT: What are you offering to prove, that they are worth what today?

MR. MALONEY: Many more times what they were sold for in 1970.

THE COURT: And you have no proof of what they were worth in 1970?

MR. MALONEY Part of the proof what they were worth in 1970 will be my client's testimony of what they were worth, because we are talking about speculative property and what the current market value in his mind was in 1970. But the best proof of the particular item sold is that today they are worth

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many more times what he sold those very properties for in 1970.

THE COURT: I don't know about that. If that is your best proof you may be in a bit of trouble. I think I better get memoranda on that overnight and you better stay away from it in your opening statement, because even judges know about inflation and about how volatile the price of certain kinds of property are. I don't know that it is the best proof or even admissible proof. I will take memoranda on it and avoid it in your opening statement.

I guess you better get the memoranda to me by 8:45 tomorrow.

MR. ARMSTRONG: Your Honor, while we are on the subject of things that are to be mentioned in openings, we had laid out in our requests submitted to the court the matter in the indictment of the so-called $10 million payment to a company called Regency by Fund of Funds which is tacked on at the end of the first count and presumably has some significance. To our knowledge, there is no connection whatsoever between that payment from one Fund of Funds company to -- one IOS company to another IOS company with this case, and what we asked was an offer of proof from the

reaction from the jurors that we should not sit.

THE COURT: I could just say that if any member of the jury objects we won't sit, since it is a whole day, if that is what you would like. I don't care.

Of course, there is the question whether we would wind up getting a rather garbled transcript because Mr. Hillman feels that more than a two or three day layoff disrupts his backhand, and so he is not really in favor of using holidays for unimportant things.

Let the record show that as usual the exchange between the reporter and the Court wound up in the reporter's favor.

I will ask the jury. This may all be academic, because if there are any objections among the jurors we won't sit. But let's see how we come out.

We have two Rockland County jurors who haven't been able to get here yet. So I guess we will just have to wait a few minutes.

MR. ARMSTRONG: Judge, did you receive the memorandum that we supposedly -- I must say I left the office last night --

THE COURT: Yes, I got both memoranda. It seemed to me that you didn't need to know instantly.

MR. ARMSTRONG: No, we didn't, but you had said

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that you wanted it by 9:00 o'clock this morning.

THE COURT: Yes. I have read them both and I have a scholarly colleague reading the cases you have cited.

MR. ARMSTRONG: Since the openings are over now, we really don't have any need for an immediate decision until the time comes when we want to put in that particular proof.

THE COURT: Right. I will try to tell you before that, because if I rule in your favor the Government says it would need certain rebuttal evidence or propose to use certain rebuttal evidence.

So I suppose everybody ought to know as soon as possible.

MR. ARMSTRONG: Thank you.

THE COURT: And I will tell you as quickly as I can.

THE COURT: All right.

(Recess.)

(In open court -- jury present.)

THE COURT: Good morning, ladies and gentlemen.

First, you may have noticed Miss Shapiro has been excused. I will ask Mr. Durkin, Alternate Juror No. 1, to take her seat and become Juror No. 9.

Will you do that, sir.

jha66 Conwill-direct

the draft minutes on page 8, and that states:

"Eric Scott observed" --

MR. ARMSTRONG: Excuse me, your Honor. We just don't have those documents, Mr. Wing.

MR. WING: You do have them.

MR. ARMSTRONG: We were given a batch of documents --

THE COURT: All right. Will you look on with him, please.

MR. WING: It is right here.

MR. ARMSTRONG: Thank you.

Q "Eric Scott observed that the valuation of the company's natural resources account had led to severe conflicts of interest between different groups of its shareholders. He stated that if the Arctic huoldings' true valuation was $4 an acre the use of $8 an acre valuation in computing the net asset value of the company's shares discriminated in favor of persons who are currently redeeming the company's shares against those who are currently purchasing the company's shares or who might in the future redeem the company's shares."

I will go a little further.

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"On motion duly made by Eric Scott and seconded by Wilson Wyatt, it was unanimously resolved that the three directors of the company who are lawyers be and hereby are instructed and empowered to select an outside attorney and retain such outside attorney on behalf of the company to examine the entire natural resources account of its subsidiary, FOF Proprietary Fund, Limited, and report to the board on the results of that inquiry at the earliest possible moment."

Sir, as best you recall, can you tell us what additional conversation took place with respect to Mr. Scott's comments on the valuation having conflicts?

A What he was referring to was that if the Sproule estimated value of something in the neighborhood of $4 per share was an accurate value as distinguished from the $8 valuation we had placed upon the Arctic properties, that those shareholders who redeemed their shares at that time were getting their pro rata share of a an excessive $4 where as those shareholders who remained in the fund were prejudiced by paying too much to the redeeming shareholders, and it was therefore necessary to continue the probe of the revaluation and get an answer as quickly as feasible, because if

there was to be a change in the revaluation, for example, if we changed it down to $4 per share, the sooner we acted on that the better from the point of view of all concerned, because that would eliminate the discrimination Mr. Scott referred to.

Q Was there conversation at this directors meeting about the general liquidity problem of the Fund of Funds at that time?

A Very much so.

Q As best you recall, what was said about that?

A The same thing that had been bothering us in an acute fashion for quite soem time and particularly since the May meeting. The redemptions were continuing to be heavy, the redemptions were based in part on a value which included the value of the Arctic assets which were illiquid, which meant a drain on our cash supply every time there was a redemption because we had to lay out cash to cover the value attributable to the illiquid assets as well.

If I might add to that, had we been entirely in liquid assets, securities which were readily traded on the stock markets, there would have been no problem even though the market was just winding up an

extraordinarily sharp decline. From the point of view of redemption in terms your critical cash position, if you were entirely in salable securities it wouldn't make any difference if the price of IBH were $250 per share or $2.50 per share, because if it were $2.50 that's the value which would be included in the net asset value and presumably you could sell it for $2.50 and raise the cash to pay it. Similarly, if the value was $250 per share you would include that 250 in your net asset value and you could sell it to raise the cash to pay the redeeming shareholder.

We had a value of $8 per acre on our natural resources assets in the Canadian Arctic, which as far as we knew was the correct value at that time but which we could not realize cash for the redemptions on.

Q Was there any discussion at this meeting about trying to sell some of the natural resource asets?

A Yes, sir.

Q As best you recall, what was said about that?

A Our senior investment officer at the time was authorized to explore possibilities of sale of a portion or all of the natural resources properties,

of a possible public offering of such company's securities.

Q Did the board of directors receive a recommendation from Dr. Rinfret as to what to do about the Arctic revaluation?

A Yes, sir.

Q And what was his recommendation?

A His recommendation was, first of all, to preserve the revaluation made the preceding year end or the preceding January, and, second, to accumulate in a separate company all of the natural resources assets and the other illiquid assets of the Fund of Funds, make a separate company out of that and spin off the stock of that company to the shareholders of the Fund of Funds, and by spin off I mean arranging by way of dividend or other distribution the stock of the new natural resoruces company to the existing shareholders of the Fund of Funds, the purpose being to take the illiquid asse s out of the Fund of Funds and place them in a separate company which would have the same stock ownership at that point in time, but thereafter those -- the value of those illiquid properties would not be included in the computation of net asset value for the purpose of redemption, or

sales, if there were to be any sales.

Q Did the board consider Dr. Rinfret's recommendations, specifically the two that you mentioned?

A Yes, sir.

Q In connection with that did the board obtain and consider the written reports from the Sproule organization that you had requested?

A We never received a written report as to values. We did receive a written report, the effect of which was that the method of revaluation was an acceptable one in the oil and/or petroleum industry.

Q Can you tell the jury how it came about that you did not receive the written reports on the specific valuation?

A The matter foremost in our mind was whether the method of revaluation was an effective method of revaluation and we were not so much interested in Sproule's rough ideas as to particular values, because we recognized that they were subject to extreme fluctuations, in entirely good faith, by different experts in the field, and we believed that an arm's length sale, particularly to a man like Mr. Mecom, whom I knew, was a far better gauge of a realistic value

Q Mr. Conwill, could you very briefly tell the jury what the directors of the Fund of Funds did at that particular meeting?

A Our redemptions were continuing to be heavy. We had reached the point where we believed that action had to be taken. We therefore accepted the recommendation of Dr. Rinfret and others and created a new corporation, tentatively named Global Resources Properties, Ltd. and tentatively to be incorporated for tax reasons under the laws of the United Kingdom and a corresppondinq corporation named Growth Resources, Ltd. and transferred to that new corporation all of the illiquid assets -- not all -- most of the illiquid assets of the Fund of Funds, which included all of the natural resources properties plus certain others, plus cash in the amount of approximately $20 million, which was intended for working capital purposes, because the idea of the new corporation was that it was to be an operating company and it was our intention to recruit as quickly as possible knowledgeable individuals in the petroleum field to assume the management of these properties in the new corporation.

We then authorized that the stock of the

new corporation be distributed on a share-for-share basis, meaning for every single share that a shareholder held of Fund of Funds he would receive a new share of the new corporation, Global Natural Resources Properties, as of the close of business on August 7, 1970, and thereafter redemptions of the Fund of Funds, which at that point would be an organization and even at this time separate from Global Natural Resources Properties and Growth Properties, redemptions would be on the basis of the remaining assets in the Fund of Funds, which were largely liquid and marketable.

Q Can you tell the jury just what effect this action would have on an individual shareholder's shares?

A Well, the impact -- I can remember the specific figures here, I believe, this being a transaction I was heavily involved in at the time -- on August 7, 1970, which was a Friday, at the close of business, any time on August 7th, a Fund of Funds shareholder could have turned in his shares for redemption at the then net asset value, which was in the neighborhood of $18.47 or 48 cents, something of that nature. Thereafter, meaning the following

Monday, a Fund of Funds shareholder had as many shares of the new corporation, Global Natural Resources, Properties, as he had in the Fund of Funds, but that was not a redeemable security, that was a security which he held like the security of any corporation, such as, by way of illustration, King Resources. It was expected that a trading market would develop in those shares, but it was not redeemable. And his redemption value would be based upon the remaining net asset value of the Fund of Funds and the remaining net asset value amounted to $7.44 a share.

Q When the transfer --

MR. ARMSTRONG: Your Honor, I am going to object to the question now that I have heard the answer on the grounds that I don't understand what it has to do with the issues in this case.

MR. WING: The effect --

THE COURT: I will allow it.

Q The illiquid assets including the natural resource assets were transferred to the new company st the same value they had previously been at when they were under the Fund of Funds Proprietary Fund?

A Yes, sir, at the value carried on the

books of the Fund of Funds.

Q Do you know when and whether a trading market did develop for the shares of that particular stock?

A I was told that one did develop.

MR. ARMSTRONG: Your Honor, I really don't see what the development of a trading market, if any, in these shares and the subsequent history, this whole history, has to do with the issues in this case, and I object.

THE COURT: Overruled.

Q Do you know when and whether a trading market developed?

A I was advised a trading market developed almost immediately, meaning within a period of a week or two.

Q Do you know where that market existed?

A It would have been over-the-counter, meaning not on any stock exchange, but off stock exchanges, over-the-counter, in Europe.

Q Do you have any idea what price the stock was selling for when it first started trading?

A I was advised that the over-the-counter market was in the range of $2 to $3 per share.

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They utilized that procedure to arrange certain fraudulent valuations to convey the illusion that this fund was really doing well in their business, in their development, to induce more and more sales by the fund of the shareholders' assets into natural resources.

You will learn that John King was the chairman of the board of directors of this company, King Resources, he was the chief executive officer of the company, and that Mr. Boucher was the president of the company, during the period in question here, which was roughly April, 1968 through perhaps the middle of 1970.

You will learn that King Resources was a public company, it was traded on the over-the-counter market, that John King held over 2 million shares in that company, owned roughly 16 per cent of the stock in the company, that Rowland Boucher owned a much smaller amount of stock, but a not insubstantial amount of stock.

You will learn that in the two years during which they milked this fund and took in this busines the net revenues of this company skyrocketed from $4 million a year in 1967 to $12 million a year in 1968, the first year they did business with the fund, and then an

ton and I do not believe it was Mr. Bulmer.

Q This $9.5 million management fee that you have referred to before, is that normal in Fund of Funds and IOS or in IOS? In the IOS complex a 10 per cent management fee was fairly routine, isn't that correct?

A As far as the Fund of Funds was concerned, an incenti fee chargeable to the Fund of Funds in the amount of 10 per cent was customary with respect to our -- and based upon actual realized or unrealized appreciation -- was customary.

Q And the board was obviously familiar with this practice, with this custom

A Yes, sir.

Q Now, sir, yesterday you spoke about the spinoff that created Global Natural Resources Properties, Limited and you spoke also about the redemption price in Fund of Funds prior to that spinoff, and I believe the figure was something like $18, is that correct?

A I testified that as -- at any time prior to the close of business on August 7, 1970, which was the effective time of the spinoff, any redeeming shareholder that day would have received the net asset value per share, which included the entire value attributable to the Canadian Arctic property, plus all of the other

assets, the securities being valued at their quoted market value, and that the aggregate redemption price based on that asset value would be, to my recollection, $18.47 or thereabout.

Q Then you spoke about the stock price of Global at a later time as being somewhere around $2.

Are those two the same thing, sir? I mean, are they comparable?

A Not in my opinion, sir.

Q As a matter of fact, there wasn't any stock issued until sometime in October, is that correct?

A No, sir. I don't want to quibble, but it was later than October.

Q I'm sorry. Actually I think it was the spring sometime by the time it was issued, is that right?

A Probably the spring by the time the certificates were actually issued.

Q The corporation wasn't incorporated until September 15, 1970?

A That is correct.

Q So that whatever trading went on was in an over-the-counter market outside the United States in securities that hadn't been issued yet?

A That is correct, sir.

Q Sir, is there a difference between the intrinsic value of a security and the market value of that security, in your judgment?

MR. WING: Objection.

THE COURT: Sustained.

Q Just one last thing, Mr. Conwill. I show you Defendant's Exhibit H and I ask you if you can identify that.

A Yes, sir, I can identify the document.

Q What is it, sir?

A It appears to be a Xerox copy of the annual report, dated December 31, 1968, of FOF Proprietary Funds, Ltd., which would be the financial report for the year ended on that date and the results of operations for the year end at that date.

MR. ARMSTRONG: I offer it in evidence, your Honor.

MR. WING: We previously asked to stipulate its admissibility. We have no objection.

(Defendant's Exhibit H received in evidence.)

MR. ARMSTRONG: I don't propose to read from it at this time, your Honor.

I have no further questions of Mr. Conwill.

THE COURT: Mr. Maloney.

MR. MALONEY: Very brief, if your Honor please.

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income in one year, half the income in the next year, as the project is completed. So that allocation would be shown on here.

Then there is data on the cost of sales or the cost to do this particular project and there are certain accounting calculations to accrue additional costs if they haven't been billed at the particular period and have been incurred.

Q What do you mean by that?

A Well, suppose again at the end of the year the company had completed the well and it was appropriate to pick up the income in that year, but we had yet to be billed for the total cost of drilling the well. An accrual of costs would be [an estimation of the costs actually incurred and a charging of those estimated costs on the books, so that there was a proper matching of the costs of that contract versus the income reported, whether or not it had been billed to the company.] costs on turnkeys only estimated

Q Does that book also show the profit margin to King Resources Company on the project?

A Yes, there is a subtraction from the sales of the costs reported in here to arrive at a net.

Q Did this ledger also differentiate between lease sales, drilling sales and completion sales?

A Yes.

Q What is a lease sale?

A A lease sale is a sale of the basic ownership interest in the minerals, whether it be an oil and gas lease, a drilling permit, mineral lease, a mineral claim. It would be the sale of the ownership interest in the minerals on a prospect.

Q And does that ledger record the cost of that prospect to KRC before it sold it to the customer?

A It records the cost expended against that sale, the percentage of our costs that are expended against this particular sale, yes.

Q Does that cost include any monies King Resources may have spent exploring and developing the property before it was sold?

A They would show the direct costs of exploring that prospect, assuming we record everything right, which we did, I think, usually.

Q What is a drilling sale?

A A drilling sale would be a sale of the -- by the company to a customer of the test well. That is, we would agree to drill -- a drilling sale would be our agreement to get a hole in the ground drilled to sufficient depth to test the reservoirs that were potential for oil

and gas in that area.

Q And what is a completion sale?

A If upon drilling the well to total depth it was determined by the geologists and engineers at the well that the well bore head encountered formations that were prospective to produce oil and gas, then additional operations would be commenced to allow that well to produce the oil and gas.

That would be called a completion. There would be casing run in the hole to total depth, there would be pipe, and the zone -- the casings perforated and special treatments put into the formation. A lot of surface equipment is installed and plumbing is installed at the surface to allow the hole to produce the oil or gas.

Q Does the turnkey ledger summarize the costs and revenues of all the projects contained in the ledger?

A Yes.

Q I show you Government's Exhibit 2-A for identification. Can you identify that? Just state what it is.

A This is a ledger prepared by the company entitled King Resources Company, Sublease Bonus Income, Turnkey Cost and Sales Analysis By State, December 31, 1968.

mind would be we had a sales arrangement on a refinery where we bought if,sold it and leased it back --

Q Mr. Davis, I am talking about sales of natural resource properties or related services to such properties.

A Yes, I know you are, but that was a caption on our income statements, sales resource interests, related services, and there would be a few other miscellaneous small income items and expense items that would be not in the turnkey ledger.

Q Were there any sales of natural resource properties that were not in the turnkey ledger?

A No, not beside those that I mentioned on Cherryville and International Resources, Ltd.

Q And the same for services related to natural resource properties in exploration and development?

A Generally, yes.

Q I show you Government's Exhibit 2-B-4. Can you identify that?

A Those are pages from the International Resources, Ltd. ledger and behind it are vouchers which are part of the records of International Resources, Ltd.

Q Do those ledgers record the turnkey sales of International Resources, Ltd.?

A Yes, there is pages of income from sale of

would propose I think we could work out.

THE COURT: I think instead of eating a lot you can use part of the lunch recess to take care of that in any agreeable way. Please do that.

MR. ARNOFF: Your Honor, we have no objection to KRC records coming in evidence.

(Defendant's Exhibit 2-B-4 received in evidence.)

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Q Mr. Davis, to the best of your knowledge, do the turnkey ledgers accurately record the correct costs and revenues of each project recorded in the ledger?

A Yes.

Q What costs, if any, were not reported in the turnkey ledger?

A There were various indirect costs involved with the development, sales, operations of these kind of sales that were charged to cost of those sales on our income statement which are not reflected in the turnkey ledger.

Q And what types of costs were those?

A There would be three or four general kinds of costs that would not be included in the ledger. They would include the general office expense of people in offices and material supplies to allow the people

A Yes.

Q What types of costs were those?

A Well, a company has a lot of general costs of being in business that are difficult to determine which project or whether or not they are applicable to any one project.

For instance, interest expense. The company does borrow money and needs funds to operate its total operations. So interest expense is an indirect cost of being in business. It is set up separately on a company's income statement.

The general administrative expenses of a company, the costs of the head office, the executives, the legal staff --

Q The officers' salaries?

A Yes.

Q Anything else?

A Well, I would include that general group of costs as general administrative expense.

Q What are financial statements?

A Financial statements are prepared by virtually all companies. They endeavor to show the financial condition of the company at a particular point in time and the results of operations for a period of time.

Q Was this 25 per cent of King Resources Company's NOPI in addition to the 5 per cent commission that Denver Corporation was paid on all sales to the Fund of Funds?

A Yes.

Q Why was Denver Corporation paid a commission on sales by King Resources to Fund of Funds?

A Well, we paid the commission because the board authorized and directed it to be paid.

Q Do you know why the board authorized it?

A Well, I wasn't a member of the board or at that board meeting. I believe that Denver Corporation had served as -- they were being paid a finder's fee type commission. That was my understanding at the time.

Q For finding what?

A The customer.

Q The Fund of Funds?

A Yes.

Q Do you know what the Denver Corporation did to find the Fund of Funds as a customer?

A No.

Q Do you know if the Denver Corporation did any work at all on sales by King Resources Company to the Fund of Funds?

A You mean -- no, not on an ongoing day to day

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(Mr. Colodner read from Government's Exhibit 12 in evidence.)

THE COURT: Mr. Colodner, I want to call a short recess, if I may.

Take about 10 minutes, please.

(The jury left the courtroom.)

THE COURT: I have a problem wondering whether I am in the right courtroom. While you were reading all that lyrical material and asking about oil rigs and hopes and estimates I was reexamining the indictment and I must be straightened out as to what this case is about. I don't know whether the government has made it so sweeping a case or the defense or whether I just misapprehended it, and I thought we ought to stop and get me straight.

Specifically, as I read the indictment this case is not about the oil industry or the history of petroleum in the Arctic. It is centrally about three sales in connection with which it is alleged there were secret deals concealed from FOF and other people, including the auditors, and that these concealed aspects of those deals, it is alleged, comprised frauds because they underlay the revaluation upward of these Arctic properties.

A 1205 J

Now, first I want to know whether or not that is the government's position.

MR. WING: It is a little broader than that, your Honor.

THE COURT: Tell me the broader part.

MR. WING: The broader part is that it comprises a general scheme to sell a great many properties at inflated or at least at high markups to produce substantial revenues for the company and to continue to get the business of this fund by periodically establishing fraudulent valuations, and in addition to the three sales that you mention, we do intend to prove the sale at the end of 1968 with respect to the Shell Seally Smith properties.

Otherwise I think your Honor's statement is correct with respect to the fact that the case is focused on fraud in the valuation of properties already sold to the fund. This particular exhibit was introduced by the government to show that the fund was being given information of this type at a time when they were questioning that particular valuation, really to show that the fund, if they would read something like that, would be induced and persuaded perhaps to accept their revaluation as a good one and to continue their in-

A 1205 K

vestment. That was the reason we did introduce this particular document.

If you add through the numbers they have in their brochure, which I don't think was done completely, you come out roughly with the $15-an-acre figure at which the sales took place, and you recall Mr. Conwill's testimony, that after he told Mr. Boucher that they were going to get Sproule to give them an independent baluation, Doucher in effect said, "Well, we can give you something that would be better than anything Sproule can do," and this is what was produced.

I think in a way it is unfortunate that if Mr. Colodner had wanted to or if the defense had wanted to read the exhibit into evidence it wasn't perhaps done when Mr. Conwill was on the stand and in effect it is not really a proper part of this witness' cross, but because of the fact we put it into evidence we don't think we can properly object to it.

THE COURT: I suppose you can't, but it seems to me that if we are going to talk about the possibilities, the hopes, the projections and the estimates that people can make in, of all things, the oil industry, we are going to be here all summer, and then somebody is going to have to draft some useful in-

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structions to this jury so that I can get them back to the vicinity of this indictment.

If the government is not going to object I am going to allow all this business, but I must say it seems to me to divert attention rather considerably from what I would have thought the case should be about.

If the government has opened the door to this kind of presentation I guess we are going to have to live through it, but I thinnk it is regrettable, because if anybody looks a little bit for rosy estimates of business prospects in the oil or diamond industry, I am sure you can find them and we are going to spend a lot of time hearing about them. I suppose there is no cure for it, but I wanted to get straight.

I will hear from Mr. Colodner or Mr. Armstrong.

MR. COLODNER: Your Honor, we believe that the indictment is considerably broader than what you thought it might have been limited to and what Mr. Wing says it is limited to, because, for example, paragraph 19 of the indictment says that it was further part of that scheme to represent to FOF shareholders, officers, directors and other representatives that

various oil, gas and other natural resources interests purchased on FOF's behalf had a far greater value than was actually the fact, and what they are saying is that not only were material factors not disclosed, but also the actual value of the property was misrepresented, and they in fact place in issue the values of all the properties that they specify in the bill of particulars.

We have been concerned, your Honor, in preparing for this trial as to being able to adequately prepare for the breadth that we saw that was coming both in the indictment and the bill of particulars.

The bill of particulars specifically lays fraudulent misrepresentations that go to value diretly. The bill of particulars specifically says that this was fraudulent. I think we are entitled to proof, Your Honor, that two months after this report is written the property listed in this report as having $25 an acre is sold to British Petroleum at a cost which if calculated the way the Arctic revaluation was calculated will yield a value of $64 per acre, and I think that is very relevant.

THE COURT: I guess it is relevant. I just wonder whether we ought not to strike paragraph 19 out

of this indictment and get this case within manageable limits, because if this sprawls over the whole world and all of this is before this jury, I have a question whether anybody will know what a conviction meant, if there is one. If there is an acquittal we don't have to worry about it.

I find the breadth of this case as it begins to unfold in the first week somewhat alarming and I don't exactly know what to do about it. I don't know whether a jury can embrace all this information and cope with all these kind of romantic and sweeping things pro and con about what this is worth and what that is worth.

MR. WING: Your Honor, I think Mr. Colodner's statement is a little misleading and that is what respect to the falsity of the value, we are talking about the falsity and the case is focused on the falsity of the market value as based on these fraudulent valuations at the time, not on the "potential value" that some day $3 billion or $6 billion might be realized from these properties.

It is unfortunate perhaps that the evidence that we put in, that we want to use to show how the Fund of Funds was given the rosy picture, if read at

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length takes a long time and certainly goes into many and varied areas.

But I think your initial instinct about the fact that the case is more confined is not inaccurate. The case is really focused and based on fraudulent valuations, and we refer to false values with respect to false market values, not false evaluations as to what a prospect may be worth some day, and certainly not with respect to whatever prospect sold to the Fund of Funds would be worth some day. Many of the properties, I don't know the exact number, but maybe 250 out of 300 or 325 properties sold to the Fund of Funds, wound up in dry holes, the properties in those prospect summaries, those black books.

But this case isn't about the value of those properties, each and every one of those properties, and it is not really about fraud in anyone saying th is may be worth something. It is about fraud in someone saying this is on January 1, 1970 worth $15 an acre based on these bona fide arm's length sales.

THE COURT: Then why do you introduce all this other stuff anyhow? Either people knowingly and wilfully and intentionally had undisclosed secret distorting factors in these three deals or they did not.

If they did, the jury can find that that is fraudulent. If they did not, they have to be acquitted.

Now, it seems to me all the rest of it is window dressing, and confusing window dressing. If I sell my house and I don't disclose that the boiler is busted and it really is worth $10,000 less it makes no difference if they later find platinum under the house. There was a fraud in the sale of the house.

You keep telling me I should not hear things like present value, and I think you would be right if you were trying the kind of case the indictment seems to me to tell about, and then you put in 2W and all this literature and you say, well, they were also painting rosy pictures and saying 3 billion.

I don't think Mr. King may be convicted on the statement that this stuff is going to be worth $3 billion.

MR. WING: Absolutely not.

THE COURT: So why do you put it in?

MR. WING: Because if we didn't put it in they would put it in.

THE COURT: No. If you didn't put it in, and they tried to put it in I could keep it out. But the point is that you put it in thinking they

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are going to put it in and then it is in and the case is unmanageable.

MR. WING: Your Honor, we do talk about what happens when King and Boucher go to this meeting at Binfret's office in July and that meeting, among others, is directed to whether that is a solid revaluation or not, and King makes a statement, according to the notes of that meeting, that those sales were bona fide sales.

It's right at the heart of that. Boucher gets up and says, "I had no intent to defraud anyone. I gave this booklet which I read and I thought was true to the directors of the fund and I thought the value according to my Calgary office was $1b an acre."

I don't think there would be a proper way of keeping it out of the case if we wanted to.

I also think that it was sent very deliberately by Mr. Boucher to the directors to make them think that they had nothing to worry about ss to the accurate market value.

THE COURT: You better draft some pretty careful instructions to put that all into perspective, because if the jury and I live through this account

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of the petroleum industry, which seems problematical at this point, eventually we are going to have to get back to what you have led me to believe was the heart of your case and we are going to have to give it to the jury that way. Otherwise I am not going to give it to them at all.

I don't hear any objections as Mr. Colodner reads on and on, emphasizing the billions, and I must say that that doesn't seem to me to have very much to do with the case. Unless I get persuaded by a good brief from the defendants that it does, I am going to instruct the jury about its very limited and, indeed, tangential role in this case as against the circumstances that those three transactions which as I read the indictment and listen are essentially what the case is about.

MR. ARMSTRONG: Your Honor, I would just like to remind your Honor that we made a motion before the trial directed at precisely what your Honor is saying now, and it was our contention that paragraphs 18 and 19 were tremendously broad, as we had just recently come to understand the government's proof at that time, and we understand that the government intends to put in a price chart, a simple price chart, to show that

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KRC bought properties, not just the Arctic properties, but all the properties, because the properties, and that was their cost, the price they paid for the permit, and then sold them to FOF for another price, and they are going to allege that there were 100 per cent, 500 per cent markups or this in an attempt to get across to the jury the notion that, as Mr. Wing has said, KRC was ripping off Fund of Funds.

Well, your Honor, as we said then and we say now, it is impossible really for us to meet that, because what we would have to do is put somebody on the stand and with respect to one deal yesterday that we went through, do that for 400 deals, to be able to show that the price in each case is not accurate. But that's what we are getting into. We have to get into it a little bit. We have to show some proof along tht line as best we can, using the government's witnesses.

MR. WING: That is totally irrelevant to what we have been talking about before. We are putting that in, as the court knows, just to show the defendants' motive in making a lot of money from this fund.

It is going to be short proof and we intend

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to have it presented very quickly. I think the expenses that Mr. Davis has talked about have been developed at sufficient length for any of the arguments Mr. Armstrong refers to.

THE COURT: Yes, I am not sure it is relevant, Mr. Armstrong, at all. I have been through that subject and I am allowing it on motive. It has nothing to do in itself with fraud. High mark-ups are not in themselves fraudulent, and you may request instructions about that and you will get them.

I just don't see that it is helpful for you to have recalled that because I don't think it is on the subject about which I am trying to be enlightened and help you to be enlightened.

MR. ARMSTRONG: I am sorry, your Honor.

THE COURT: Mr. Arnoff.

MR. ARNOFF: I would agree with your Honor that the basis of the case is the representations made in the confirmation letters to the auditors that there is an extrinsic value to these properties as a result of the sale.

I think where the government misses the boat is that if these defendants have a belief in the intrinsic value of these properties, and Mr. Boucher

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for one, being a geologist, would have a better idea of that than anyone, that is probative of his state of mind and it shows that he had no intent to defraud with respect to the values of the properties being conveyed which are the basis for the revaluation.

THE COURT: I just simply do not agree with that at all. If I have a belief that the buyer of my house with the busted boiler is going to find platinum under it and on that ground I conceal from him the fact that the boiler is busted I don't think that that eliminates the fraud in that transaction.

If he wilfully and knowingly participated in side deals with John Mecom and Consolidated Gas and Lakeshore Associates to make what were fake sales look like arm's length sales, the purity of his heart in other respects doesn't have anything to do with this case.

Now, if he didn't do those things with those sales, then he is going to be acquitted by me or the jury, and I just don't think tying in the kind of poetical devotion these people may have had to the Arctic wastes has much to do with this case, and that is what I am trying to get at.

MR. ARNOFF: I would agree with your Honor

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as to the mode of the proof, but I do think the belief in intrinsic value is an indicia of his lack of intent to defraud.

THE COURT: I may let you put it in, but I simply do not agree with you, and if there is a cogent objection to that I am going to sustain it probably, because you may believe that it is very good for me to be defrauded because in the end what I am going to acquire is a bonanza and you are just helping me to get it by jollying me along a little bit, but your believe may still leave you in the position of being a defrauder if you are misrepresenting material facts or concealing material facts in that transaction, and your belief that you are doing it for the purchaser's good -- please sit down.

MR. ARMSTRONG: I am sorry, your Honor.

THE COURT: One person can be up at a time.

-- would not seem to me to obviate that conclusion or avoid it.

MR. ARNOFF: I would agree with your Honor, but I do think it is part of the correlation of circumstances that went into his mind at or about the time he signed off on these rep letters.

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I would also point out to your Honor that it seems at least the essential nucleus of the government case is these fraudulent markups that we have difficulty responding to or defending against.

We intend to introduce proof that markups are not an appropriate concept in the oil and gas exploration business in view of the risk factors and the commitments made and the tremendous costs that can be incurred by projectsd, that the concept of markups should have no place in this trial. It is a concept more peculiar to the shoe business or some other industry.

We intend to show, if the government's train of thought with respect to margins and markups is pursued, we will show that after Rowland Doucher and John King no longer were part of management of KRC, a court-appointed trustee operating under the same accounting principles, selling the same properties, charged the same margins and the same markups, which demonstrates with the sound of the clarion, your Honor, the fallacy in the government's thinking, and we would press our objection, sir, to introducing any proof on the issue of markups.

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THE COURT: Well, your objection is still overruled and whether you will be allowed to put in that trustee business, remains to be seen, but you may offer it when you get to it.

MR. ARMSTRONG: The reason that I mentioned what I did before was to point out to your Honor that we really have through paragraphs 18 and 19 in the case a whole separate issue where the defendant's state of mind has been put in issue, has been put in issue in the bill of particulars, your Honor, where the Government alleges specifically false and fraudulent representation relating not to the revaluation but to the original sales to Fund of Funds, and it is in connection with those misrepresentations, such as, specifically, FOF's share of oil discovery in the first five wells drilled on properties sold to FOF by KRC in terms of net operating profit should fall between 12 million and 20 million on a discounted basis.

That is alleged as a false and fraudulent st ement made not in connection with the revaluation but made way before that in connection with the sales in the first place.

THE COURT: Where were you reading from?

MR. ARMSTRONG: I was reading from the Government's bill of particulars, actually from a note we have of it, in response No. 5-H -- the bill of particulars, your Honor,

which was submitted to us and we got, I think, five of them, and this was -- I don't see a date on it, but it was the first or second, and it is on page 3 of the Government's bill of particulars in response to a request for particulars asking for particulars of the sentence in paragraph 19 of the indictment which says that, "In an effort to induce official purchases from KRC, the defendant would falsely and fraudulently represent to FOF shareholders, officers, directors and other representatives, including FOF's auditors, the various oil, gas and other natural resources interest purchased on FOF's behalf from KRC at a far greater value than was actually the fact."

That has nothing with regard to the reevaluation. That allegation is made and that is particulars given and we have to meet them.

THE COURT: You do unless you move to strike it out.

MR. ARMSTRONG: We did move, your Honor.

THE COURT: Not the paragraphs of the indictment, but what you read from the bill of particulars I think ought to be excluded from this case, a representation of future expectations. I am not going to allow people to be convicted of crimes for rosy predictions which turn out to be incorrect or even if they turn out to be correct. That seems to me

to be close to the point I am trying to get at. Mr. Wing, how do you justify that?

MR. WING: The relevance of that is that it relates to the properties which were the subject of the fraudulent valuation at the end of 1968, that is, the sale to Mr. Raff, the Seattle stockbroker. They give the rosy prediction in August and then in order to firm up the rosy prediction, Mr. Raff is invited to buy 10 per cent with a whole bunch of guarantees that he won't have to pay for most of it.

THE COURT: I don't think you ought to be allowed to prove the rosy prediction unless we are going to make very clear that nobody claims there was anything wrong in that. If you are saying that having made the rosy prediction they made a fraudulent deal to try to buttress it, it is the fraudulent deal I will allow you to prove as a similar act but not the rosy prediction.

What I am trying to do is get straight for the jury that predictions, as such, are not what this case is about and I don't know exactly how to do it, because I get pulled apart by both of you, I must say.

MR. WING: Your suggestion is certainly agreeable to the Government. We listed it in our bill of particulars because of its relationship to the fraudulent valuation, but we won't argue that any future prediction is the fraud

on which any part of this case is based.

THE COURT: I wonder if it would be useful for me to instruct the jury on that right now so that they are watching the evidence with some perspective, that is to say, that predictions as such are not the basis of this prosecution, that rody predictions are common in business and in themselves they may not be the basis for criminal liability.

MR. WING: That is agreeable to the Government.

MR. MALONEY: I think, and I will be very brief, from our conversations in chambers and here Defendant Boucher has always tried to narrow the issues in this case. I think it is an appropriate time at this time to make a motion to strike three of the four counts of the indictment and try what this case is about, Count 1, which is the 10b(5) count, the Mecom-Carr transaction, narrow it to that particular count and not talk about a broad scheme that covers a two or three-year period.

THE COURT: I don't know why we have to narrow it quite to the extent you say. Although I think you are on my subject, Mr. Maloney, it is sort of a glancing blow, and my question is, should I tell the jury that predictions is not what this case is about, one way or another, but alleged fraudulent conduct in connection with sales that were the basis for revaluation? Is that a fair statement of

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what the heart of the case is.

MR. ARMSTRONG: Your Honor, if I may, your Honor's instruction, I think, goes to the things other than things that we have been talking about and what I would suggest is to perhaps postpone saying anything to the jury right now and give us a change to present to your Honor what we think should be done at this time.

The problem is that the proof has gone into the jury, the Government has opened and made certain representations, and I contend that paragraph 19 itslef, to which these items are particulars, is far broader than the narrow offer that Mr. Wing states. He relates it to the Fox-Raff transaction, but that isn't what the item was related to in the bill of particulars and the indictment itself is very broad.

THE COURT: Well, I am trying to narrow it and I don't know why defendants should be so resistant to a narrowing. Mr. Wing says he is willing to have it narrowed in that way and Mr. Maloney seems not only willing, but eager, although he wants a couple of the counts of the indictment dropped in the process, and that is as it may be, and we can talk about that later, but I take it on the substance of the matter, Mr. Maloney, you are not resisting the motion to narrow it.

MR. MALONEY: I would like to read your language, your Honor.

THE COURT: I have not written it.

MR. ARMSTRONG: One of the things we are trying to bring out is that these were not rosy -- they were rosy but there is an implication that they were also puffing and we are saying they were perfectly reasonable in the light of other professional people at the time and in phrasing it to the jury, even though you might tell them that it is a rosy puffing, we don't want them to think that it was.

THE COURT: I can understand why you would not like "rosy" and I would certainly leave that out. Why don't I say that predictions and estimates, whether or not they turn out right, are not the heart of this case and they are being put in to give a notion of the setting and the context but that eventually where we are going to be focusing is on these three sales that allegedly had concealed aspects that the Government claims were fraudulent? What do you think?

MR. ARMSTRONG: That sounds good to me, Judge.

MR. MALONEY: It sounds almost acceptable, your Honor. I want to look at the indictment because the counts in the indictment don't make it that narrow.

THE COURT: But I am going to make it that narrow,

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if I get some help from you.

MR. WING: Would you read it again, your Honor?

THE COURT: Well, I don't do shorthand and I don't have it exactly. Essentially what I want to say -- well, let me say it and let Mr. Maire write it down and see how it sounds and we can fix it.

I want to say that predictions and estimates by defendants or others connected with them whether or not those predictions and estimates eventually turned out to be correct or modest or high, are not the central matters in issue in this case. They are being presented in some of the evidence in order to supply the setting and the context for the alleged wrongs that are the heart of the case.

Eventually, when we get to those alleged wrongs our focus will be and should be basically on three sales, one to John Mecom, one to Consolidated Oil & Gas and the third to Lakeshore Associates which the Government says certain concealed aspects that made them something other than arm's length transactions and which the Government allegedly basically for that reason alleges were fraudulent because they were used as the basis for upward reevaluation of the Arctic properties about which we are hearing.

I will hear your revisions on that.

MR. MALONEY: I am inclined to accept your Honor's suggestion but I wonder if you will accomplish anything,

because once the markups go in evidence, we are back in the same ballgame.

THE COURT: No, because then you will give me a pa neatly typed, which will be used similarly to keep the jury on the reservation and I will tell the jury, in any suitable words you propose, the very limited purpose for which that evidence is being received.

I want you to mark what I said, so you can read it, and I don't have to try to paraphrase myself and then get into trouble with these gentlemen. That is down the road and simply down the road is the question of whether we put four counts to the jury, as you know, Mr. Maloney, Government lawyers so dearly love to do, or whether we put one count to them, which doesn't make a bit of difference, really, except it has to do with how many differen ways I have to tell them about essential elements, but you know how Government lawyers are, Mr. Maloney, or you used to know.

MR.WING: In the old days when Mr. Maloney was with us this would have been a 40 count indic ment.

MR. MALONEY: If you really knew the reason for the other counts, your Honor, you probably would strike them.

THE COURT: If you really tell me, I might do it.

MR. MALONEY: Part of the reason is that they could

get the post office to work for them on these kinds of cases.

MR. WING: Absolutely untrue.

THE COURT: I think anybody who can get the post office to work for him deserves a lot of credit, however he does it, and I want to talk to Mr. Wing about that privately another time.

Any other revisions on this interim statement?

MR. ARNOFF: Without belaboring the point, I think your Honor can achieve the type of incisive focus with respect to the proof in this trial with the elimination of the markup concepts --

THE COURT: Don't go to that, please. Stay with what I am at. I have heard Mr. Maloney, who agreed with me, and I don't appreciate his co-counsel getting up and amending what he said, and this has nothing to do with your being more youthful, it has to do with more than one lawyer for one client at one time.

Mr. Armstrong?

MR. ARMSTRONG: I think it is fine, your Honor. When we come down to the charge, of course, we may want to relate it more directly to the fact that there is a charge here on the sale of a security. We talk about a fraudulent reevaluation but I don't think we should get into that now.

THE COURT: Mr. Wing?

MR. WING: The sense of it is fine with the Government, your Honor, but just so there is no misunderstandi at a later date, we do intend to call Arthur Andersen people who will testify in part that in doing the work on the June 30th, 1969 audit they based their decision as to how the audit should be valued on the Sproule estimate. That Mr. Davis already testified about and there will be testimony about that estimate to that extent.

THE COURT: Why am I going to hear that, why is the jury going to hear that, what is its probative use?

MR. WING: There was --

THE COURT: Let me tell you, Mr. Wing, let's not anticipate your thinking any more than I am anxious to anticipate Mr. Arnoff's predictions. When you get to that be prepared to tell me why we should hear it within this framework and I will listen and I will rule.

MR. WING: There is one other aspect of the case that has come out a little now and will come out more later, that Arthur Andersen was attempting to obtain another Sproule estimate to back up the reevaluation based on the sales at the end of 1969 and there will be testimony about efforts to get it and that they did not get it.

I just bring that to your Honor's attention so you are aware of what we intend to prove in that

A1210 Q

connection. I think that is relevant to just information they were trying to obtain to check the accuracy of the reevaluation.

THE COURT: Well, it doesn't sound terribly relevant to me at this moment.

MR. WING: I don't think it is contrary to the sense of what you are going to say, but your use of the words "estimates by others" -- I just point it out for that purpose.

THE COURT: I meant others associated -- we will listen to that at the time and unless you have a very convincing reason for putting it in, I may exclude it. So be prepared to be very convincing about it.

MR. ARMSTRONG: As I understand what we are doing right now, your Honor, it is simply an instruction to the jury and Mr. Wing is raising things that will come up in the future but you are not ruling now with respect to a request to limit testimony by either side, you are simply instructing the jury as to the relevance of testimony coming in?

THE COURT: Yes, and it is subject to further revisions. I wanted your revisions now and if you don't have any, fine. If you have any later, I will of course pay attention to them and we will try to keep the jury

straight steadily as we go along.

Let's get the jury in and we will give this to them.

MR. ARMSTRONG: Could we take about a two-minute break before the jury comes in, your Honor.

THE COURT: Two? Okay.

MR. ARMSTRONG: Two and a half.

THE COURT: All right.

(Recess.)

(Jury present, in open court.)

THE COURT: We are aware, ladies and gentlemen, that that was a long ten minutes. I called the recess because it seemed to me that some consultation between counsel and me might be useful to help you keep centered on the things that will be critical in the case. You must understand that some evidence is more central, in a sense, than other evidence. Both sides have been putting in evidence and it has been permitted and it will continue, to some extent, that goes along a fairly broad range about the oil industry and its character and the character of these Arctic lands and their prospects and potential and those have a place in the case, it appears, but maybe not at the very center of the case.

Concerned about that, I talked with counsel

A1210S

and I wound up dictating a few thoughts that are very brief, in the end, that we believe may help you keep your own attention organized as you listen to this information and since lawyers scarcely write notes to the milkman without a lot of negotiating and revision, I placed these words on the record where Mr. Maire, our reporter, can find them and since we agree that they might be a little bit useful for you at this time the way they were stated, I will ask him to read them to you.

These are a very brief, kind of interim guideline instruction which may well get changed in the final instructio but which we thought might help keep you on the track at that particular time.

So, Bob, if you will read that.

(Record read by the reporter.)

THE COURT: In any event that is all we have at this time, but perhaps it will be useful to you. Now I think we are ready to continue with the cross examination.

MR. COLODNER: Thank you, your Honor.

BY MR. COLODNER:

Q Mr. Davis, could you turn to page 4 of Exhibit 2-M, which lists the acreage for Graham and Buckingham.

A Yes.

Q Do you recall whether in the summer of 1970, which

A Yes.

Q During the period 1968, 1969, 1970, approximately how many of the same properties were sold to Fund of Funds along with other associated customers of King Resources?

A I think there were about 15 to 20 properties where a common interest or where an interest was sold in the same property to both Fund of Funds and to an associated company.

Q Were those properties sold on the basis of the same terms and conditions, including the same unit price per acre?

A Yes.

Q And of those deals that you mentioned, the 15 to 20 deals, were any of the companies owned or controlled by Defendant John King?

A Yes, Mr. King controlled Royal Resources Corporation. We did sell interests in common properties to Royal and to Fund of Funds.

Q You say those were sold on the same terms and conditions?

A Yes.

Q Sir, did there come a time in 1971 when a Chapter X proceeding, an involuntary proceeding, was filed

against King Resources in Dalls, Texas?

A Yes.

Q And did there come a time in 1973 when the venue of that bankrupty proceeding was transferred to Denver, Colorado?

MR. VIZCARRONDO: Objection to relevancy, your Honor.

MR. ARNOFF: Your Honor, I intend to introduce proof to rebut the Government's contentions with respect to fraudulent markups. I intend to establish a foundation for that proof through this witness, one, that the enterprise continued essentially the same throughout the period that Messrs. King and Boucher --

THE COURT: You have said enough. The objection is sustained.

MR. ARNOFF: May I have a side bar, sir?

THE COURT: Yes. Well, it is five minutes to 1:00. I guess the jury enjoys our sidebars, but we will let them forego that.

Why don't you go to lunch, ladies and gentlemen. Come back at 2:15.

(Jury left courtroom.)

THE COURT: Yes, Mr. Arnoff.

MR. ARNOFF: Your Honor has recognized

that the Government in trying to establish a setting for the scheme it alleges has alighted upon the issue of fraudulent markups.

THE COURT: I don't think they have said fraudulent markups. They just said high markups.

MR. ARNOFF: Unreasonable, high markups.

THE COURT: We allow people to show the price of heroin, though it is not fraudulent. It kind of suggests that it is a good business to be in.

MR. ARNOFF: What I would like to do, your Honor, is show that there was nothing wrong with the margins or the markups or the profits that were enjoyed or realized by King Resources Company throughout the 1968, 1969, 1970 dealings between King Resources Company and --

THE COURT: By going to 1971 through 1973?

MR. ARNOFF: Absolutely.

THE COURT: I am not going to let you do that. If you want to show the markups at the same time on other transactions you go ahead and show them, but I am not going to go to some other period, because you are taking a byway that is going to get us into complexities that we don't want to get into. It is a different period. I don't care what happened then and I don't want to get into whether the threat of embargos and other things were

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arkups in the same period as the one which we
ncerned.

I will not let you go for this purpose into a
period.

I just want to confirm with Government counsel
ression that they are not claiming what you keep
ing to, fraudulent markups.

Are you claiming that or aren't you?

MR. VIZCARRONDO: No, your Honor. All we are
ng and all we intend to show is that FOF was a very
ant customer to King Resources.

THE COURT: That is all I have understood and
s all I am allowing.

MR. ARNOFF: We will concede that, your Honor.
k if we concede that we can eliminate much of the
on that score.

THE COURT: Perhaps we ought to have a stipulation.

Do you know how many customers King Resources
I am asking Mr. Davis.

THE WITNESS: In what period?

THE COURT: '68, '69, '70.

THE WITNESS: 20 customers, in that area.

THE COURT: Mr. Wing, you want to stipulate
I don't think we need all that evidence.

MR. WING: There is one little problem, Judge.

Although we aren't alleging "fraudulent" markups, the proof will show that the markups that the Fund of Funds got were substantially higher in some instances than markups to other customers, and your Honor may recall --

THE COURT: I understand that. Mr. Arnoff is suggesting maybe we can stipulate that.

MR. WING: If they are willing to stipulate it that is fine with me. I think that might be interpreted as fraudulent in that they told the board of directors they were going to sell at terms no less favorable than what they were giving their other customers.

MR. ARNOFF: Your Honor, aren't we entitled to dispell any inference of fraud?

THE COURT: Yes, you are, and I don't think that is within the case. If you are going to claim there was fraud in the difference in markups, I think I am simply not going to allow that, so that we keep straight. You agreed with my essential statement of the case to the jury and if you are going to now argue to this jury that anything they said that somebody could have been misled by his fraud within any of the counts of this indictment, I am not going to permit it, especially when you and your co-counsel have been representing to me all along, I believe, that the markup evidence was simply to show

motive.

MR. WING: That is absolutely right, Judge.

THE COURT: Then I am not going to allow you to claim it as showing a fraud.

MR. WING: I am not going to claim it, Judge. I am just saying that the evidence in effect will show it to some degree.

THE COURT: I am not going to let the evidence show something that you are not claiming. I am not going to allow it to be lying there to let the jury infer from it something that you don't claim to be attempting to show.

MR. WING: If I may explain to the Court what we intend to prove with respect to the markups, we intend to show the amount of business that was done and the profit that was derived by the company from their business with the Fund of Funds.

THE COURT: I will tell you what I will do. I want you to talk to Mr. Arnoff about this during the lunch recess, and without any effort to show any fraud, I want you to tell him the three or four propositions you propose to prove by all this evidence, and I want you to try to agree together, of course, with Messrs. Armstrong and Colodner and even Mr. Maloney, I want you

to attempt to agree on a stipulation. If you don't agree, when we get back I want to know where the gap is. Obviously I can't make you stipulate, but I can help you to try, and I would like to help you to try, because again I think we are on an aspect of the evidence that we not ought to spend all our time on.

If the proposition can be established by stipulation I want to encourage that to be done.

So we will talk about it at 2:15, before we have the jury back in.

(Luncheon recess.)

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Bring in the jury.

(Jury present.)

CROSS EXAMINATION

BY MR. ARNOFF (Continued):

Q Prior to the luncheon recess, Mr. Davis, we were talking, or you were testifying in respect to sales made of the same properties at the same time, on the same basis to both Fund of Funds and other customers.

Would that have been a sale of an undivided interest in the same property, as you have previously explained that?

A Yes. I think I explained that if a footnote in the annual report -- there was a footnote in the annual report that said sales made to associated entities, primarily Oil Resources Corporation, were made at the same price and terms as to non-associated entities, when that sale was of interest, an undivided interest in a common property.

Q Do you know of any instance or occasion during your tenure as the controller and chief accounting officer of King Resources Company where the same property was sold at the same time to Fund of Funds and another customer on a dissimilar basis?

A No.

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THE COURT: Yes.

CROSS EXAMINATION

BY MR. ARMSTRONG:

Q Mr. Marriott, you say this letter dated May 26, 1971 is not accurate?

A That is correct.

Q And the one of February 19, 1971 is accurate?

A That's correct.

Q It is perfectly clear that they both can't be accurate, isn't that right?

A That's quite right.

Q And what was your reason for writing a letter which you say you knew was not accurate to be included in a court proceeding?

A Because Mr. King and his attorney insisted that that be part of the settlement agreement and that was the only way I could consummate it and I was going to do whatever I could to get Mr. Mecom out of his $7 million liability, or potential liability.

Q This was going to be part of a settlement, of a legal settlement, sir, is that correct?

A That is correct.

Q And you were sending this to an attorney to

BY MR. ARMSTRONG:

Q Now, is there anything in here about a buy back?

A No, there is nothing in there about a buy back.

Q Why not?

A Because we were settling on the agreed statement of facts as set out in the settlement agreement and the settlement agreement itself didn't relate to the buy back agreement because, as I understood it, it was also in dispute as to whether King -- whether it was signed for King Resources or for John King, and I never had actually seen a signed copy of the buy back agreement so I had become dubious as to who did sign it.

Q Mr. Marriott, let me read you what you say.

You say, "So thank you," meaning the lawyer in this action in a federal court in Louisiana, "May I better understand the proposed merits of the settlement agreement, I will first briefly outline the background giving rise to the controversy."

Now, that is a statement that you are going to tell this lawyer what has happened in that deal, is it not?

A It is a statement that I did tell him.

Q And what you are telling me is that what you lay out in this letter is an accurate representation of the deal as you understood it?

A That is the accurate representation under the agreed statement of facts that we were going to settlement with.

Q We are not talking about agreed statement of facts. You are telling him you are going to give him the background.

A Well, that is what -- what actually happened, though, was under the agreed statement of facts that we were going to settle under.

Q Do you explain that to the lawyer?

A I'm not quite sure whether I did or not. I don't recall at this time. I did talk to him by long distance about it and to the receivers before I ever sent it in.

Q Sir, I want you to look at this document and I want you to tell me whether in that letter anywhere there is an indication it is anything other than a statement by you as to an outline of the background giving rise to the controversy so that the lawyer can understand the merits of the deal.

MR. WING: Objection; asked and answered.

THE COURT: Sustained.

Q Now, in this, sir, there are references. for instance -- well, let me ask you this:

"$260,912.06 initial cost was paid by Mr. Mecom to King Resources from $275,000 advanced to Mr. Mecom by the Colorado Corporation, an affiliate of King Resources Company.

Here is the part I want you to focus upon, as a standby advanced payment for use of certain drilling equipment of Mr. Mecom on an exploration program contemplated by King Resources & Company or others.

Now, is that a fact?

A That is what Mr. Sumners told me at the time we were working out the settlement. Of course, I didn't know and I still don't know what was in their minds at the time they advanced it.

Q In other words, you had no knowledge of your own as of that time as to what that $275,000 was for?

A I never actually had any knowledge of my own at any time, because it was advanced by one company that Mr. Mecom had no connection with, later on they came back and said it was advanced to the Colorado Corporation, which he still was not doing any business with, out of a transaction that involved the King Resources Company. So I don't know what was in their mind.

Q But this representation is a representation of facts which you say is based on what Mr. Sumners told

you?

A That's right. And he was Mr. King's attorney on it and the Colorado Corporation, so I presumed if that is the way they wanted to treat it that was all right for the purposes of the settlement.

Q This was at a time, May 24, 1971. By this time Mr. Sumners was involved in trying to get you to change a letter which you say is true, is that right?

A That is correct. That was one of the conditions --

Q This is the same Mr. Sumners who you say was instrumental in getting you to submit a document which was a lie on May 26, 1971, which is two days after the submission of this document? This is the same Mr. Sumners that you are relying on for a factual statement in this letter, according to you?

A Actually, although the second letter to Dr. Frederickson was insisted upon by Mr. Sumners, the initiation of the letter first came from Mr. John King was carried out by Mr. Sumners, and he insisted that that is one of the conditions that they put upon.

Q Just to get the dates perfectly straight, this was submitted in court on May 24th, your letter is dated May 21, 1971, less than a week before the actual execution of this document. When I say "this document, " I mean

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Q And you got a call from Lowry on, like, the 25th of January indicating it was coming?

A I believe he called me on the 26th and said it was in the mail.

Q Did you talk to Hulsey thereafter?

A I talked to Hulsey from time to time, yes, but I didn't make the issue over it that I had there before.

Q Isn't it a fact, sir, that you have stated in the past that, first of all, you got this document early in January, right around the first part of the year, and, secondly, that you continued to bug Mr. Hulsey about the fact that it was an unsatisfactory contract for a whole year up until 1971?

Haven't you testified to that?

A Yes.

I did bug him each time I saw him.

However, there came a time when he couldn't do much about it because he was no longer with King Resources. But I still -- I was not going to quit bugging him because of that.

Q I direct your attention, sir, to your testimony before the grand jury on January 6, 1973.

A Yes.

Q And you were under oath at that time, were you not?

A That's right.

Q On page 49, you said, "Yes, I spoke to Mr. Hulsey. continued to speak to Mr. Hulsey until up to 1971. I believe it was almost a project with me to get this thing concluded."

Now, I am just asking you, sir, isn't it a fact that you have testified in the past that it was your recollection that you were very upset because this contract did not -- or this, whatever it is, Government's Exhibit 1, did not conform to your understanding of what was supposed to be coming from the King side of things? Isn't that right?

A I don't recall whether I testified to that or not, but I can certainly tell you that I was very upset about it, and if I testified about it that is what I would have testified to.

Q Right.

And that because you were upset you said that you were constantly after Mr. Hulsey to get the kind of agreement that you had understood you were going to get from the beginning?

A Correct. Every time I saw Mr. Hulsey and every time I was in contact with him I reminded him on it.

However, I might explain that I wasn't in contact

A 1228

with him to a great extent during 1970 because I wasn't in Mecom's office the greater part of 1970. I was working on something else that took me out of the city 90 per cent of the time.

Q Well, but isn't it a fact, sir, that you have previously said that you telephoned Mr. Hulsey frequently?

A That is correct.

Q Like three or four times a week?

A No, I don't think I said three or four times a week. I didn't telephone him that often.

Now, I did telephone him up until I got the letter more than three or four times a week, but after that I didn't telephone him three or four times a week, because I was not --

Q So until January 26th -- I'm sorry, I didn't want to interrupt. Go ahead.

A I couldn't have three or four times a week, because I was traveling almost continually during 1970.

Q But in any event, you telephoned him a lot and every time you saw him during 1970 you bugged him about, "Where is this supplemental agreement I'm supposed to have," right?

A That is correct.

Q And you are clear on that?

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or get a hold of somebody and say to them, "Hey, look, you have to straighten this thing out, because you guys never came through with what you told me you were going to do"?

A No, I didn't really start getting a hold of them until the early part of 1971, because of two or three reasons. I could only spread myself so thin and during '70 I was working almost total time on the public offering and I wasn't working particularly on that.

Q That was a public offering whereby you were trying to raise $10 million in the course of this public offering, is that correct?

A Yes.

Q Now, sir, you recall Defense Exhibit S?

A Yes.

Q Which is a confirmation to King Resources for their auditors, Arthur Andersen?

A That is correct.

Q Now, sir, you are a corporate lawyer, is that it? I mean, you are working on a public offering --

A Well, I was working -- I would call myself an oil and gas attorney, but I am principally with corporate-

tion work.

Q But you know about statements to the public that public companies are required to make?

A Yes.

Q And financial statements?

A That is correct.

Q And you are aware that an audit made by an accounting firm is used to gether information, some of which is then made known to the public so that they can invest in their shares, is that right?

A That is correct.

Q And it is a very important thing to give accurate information, is that not correct?

A I have always considered it so, yes.

Q Indeed, for an attorney it is a professional responsibility to make sure that you give accurate information to an auditor who is requesting information, about a public company particularly?

A That is right.

Q In this request, this is a request from Arthur Andersen or on behalf of Arthur Andersen asking that Mr. Mecom confirm the terms of the December 24, 1969 agreement, is that correct?

A That is correct.

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Q And it sets out the total price of the permits, the down payment, the date of the agreement, what the interest was purchased, and the payment terms, and then it says, "Please state in the space below whether or not this is in agreement with your records at that date. If not, please furnish any information you may have which will assist the auditors in reconciling the difference," and then there is a space here.

Sir, there is a line drawn through that space. That's correct, right?

A That is correct.

Q Did you place that line there?

A Of course, he cannot say positively because I can't identify a line, but I would make an assumption that I did.

MR. ARMSTRONG: Does the government have the original of this document?

MR. WING: I think Arthur Andersen has the original and the government has a copy of that original and I think that is a copy of our copy. We will stipulate that he drew the line if it will help.

Q And the name Mr. Mecom, John Mecom, is signed on it, is that right?

A By me, yes.

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Q By you, and you sign it?

A That's right.

Q 1/27/1970.

Why didn't you put in the space provided for further information which is requested in the letter any information about the so-called side agreement that you had with King Resources?

A The document sets out the terms of the -- the request sets out the terms of the document as it existed at that time. It doesn't set out the fact that there was a buy-back agreement The buy-back agreement was a separate agreement. But otherwise it -- of course, probably in the rush I should have set something out. The only thing I can say is I did not.

Q Sir, didn't you testify on direct examination that you held this confirmation until you received the communication from Mr. Lowry --

A That is correct.

Q -- which contained the supposed buy-back agreement and then you signed it and sent it in?

A Well, I don't know whether I signed it after I got it. I didn't send it in until after I received the buy-back agreement.

Q Why were you waiting for this agreement before sending in a confirmation that doesn't mention it?

A I wanted to see what the other agreement, the buy-back, said. It didn't alter the terms of the original agreement. It didn't say what I wanted to say, but I wanted to see what it was before I sent that in.

Q You just wanted to see what it was?

A That's right.

Q So you consciously waited to see what this said?

A Correct.

Q And then equally consciously sent this in and made no mention of it?

A That is correct.

Q What was Mr. Mecom's reaction to this confirmation?

A I don't think he ever saw it. If he did, I don't know about it.

Q Sir, do you recall testifying in the case of State of Ohio vs. Crofters in the United States District Court for the District of Colorado on March 30, 1976? You remember that?

A I gave a deposition in that case, yes.

Q You were under oath at that time, were you

But it wouldn't have come to Mr. Mecom's attention, it would have come to Mr. Davidson's attention, and he would have been the one that would have brought it to me and would have discussed it with me.

Q At this time, sir, did you talk to any Arthur Andersen personnel about this confirmation?

A Yes. I don't recall what the confirmation was, but I do know that one of the Arthur Andersen personnel was in Mr. Mecom's office and they were doing an audit there and one of them mentioned to me about mailing -- mailing back the confirmation and he said he had a call from Denver to see what they could do to get me to go ahead and get it pushed back in.

Q You mean you spoke to Arthur Andersen people about what had been left out of the agreement?

A No, you didn't ask me that.

Q Did you?

A I don't recall that I did.

Q Do you recall that you did not or do you just not have any recollection?

A I don't have present recollection on it.

Q What do you think, what is your best recollection?

A Whatever I would think would be the purest

speculation, it wouldn't be any type of recollection at all. If you want me to express an opinion, I will do that.

Q Why don't we read some of your prior testimony, sir. On page 26 of the Crofters deposition last March you were asked:

"Q Did you tell anyone from Arthur Andersen what parts of the agreement were left out inyour opinion?

"A I don't recall that I did and I am quite sure I wouldn't have. This would have been something -- this was not an audit of Mecom, it was an uadit of King Resources, and that would have been something concerning Mecom's business, it wasn't a subject of the audit."

You didn't have any problem with it at that time, did you, sir, at least, expressing the fact --

A I expressed what I thought at that time, yes.

Q Later on, page 28, page 28:

"Q In your conversation eith the person from Arthur Andersen concerning signing a representation letter did you ever state to him that the representation letter did not state the entire agreement?

"A I don't think I would have, no. There

would have been no reason to."

Did you give that testimony?

A Well, I haven't seen the testimony at any time, I have never seen this deposition, but if the deposition states that I did, I am pretty sure that I did.

Q You have never seen this deposition?

A Except when I signed it right after.

Q You haven't read it recently?

A No, I haven't read it since then.

Q Let me ask you, sir, does that express your view that you would not have, in talking to a representative of Arthur Andersen at the time this confirmation was being sent in by you, mentioned anything to him about the so-called side agreement?

A I wouldn't have discussed it with the Arthur Andersen group in Houston, which was not auditing either King or, for that matter, Mecom, they were auditing U.S. Oil of Louisiana, which was in the Mecom Building, and there would be no reason to discuss it with them, who weren't even privy to the information, regarding King.

Q Did you discuss it with anybody from Arthur Andersen?

A At this time I have no recollection of having

discussed it with anyone with Arthur Andersen.

Q You just signed it and sent it in?

A No, I didn't sign it and send it in. I think I have testified, and you made a point of it, that I left it laying on my desk and then sent it in later.

Q Do you recall, sir, being told by the people from Arthur Andersen that they needed this document in order to close out their audit?

A I recall being told that by the Arthur Andersen Houston office, yes.

Q The Arthur Andersen Houston people said that this document, the one we have been talking about, was needed in order to close out the audit?

A Not the audit that they were making but the one that was being made in Denver. They had had a call from Denver.

Q So the people in Houston from Arthur Andersen did have some familiarity or knowledge of the audit of which this document was a part?

MR. WING: Objection.

A I wouldn't imagine that they did have, other than the fact that they knew it was going on.

Q Now, sir, do you recall testifying about Defense Exhibit T, the second audit letter a year later?

A 1238

A Offhand, at the moment, I don't recall testifying about it. It is probably a fact that I did, but I just don't recall the testimony or the letter for the moment.

Q If you will hold one second we will try and find it for you.

Do yc recall seeing this document, sir?

MR. ARMSTRONG: Pardon me, your Honor. I believe that that is in evidence as Defense Exhibit T. Is that right?

MR. WING: I have no objection to it. I believe so.

A Yes, I do. Yes, it came across my desk and I caused the memorandum here to be put on it.

Q This is March 10, 1971?

A That is correct.

Q And it is a similar confirmation letter and the note at the bottom says, "The above information is in agreement with our records at December 31, 1970, with the following exceptions, if any," and typed in is "3/18/71, this is not correct."

A That is right.

Q You had your secretary type that in? Would yo tell us how that came about?

A Yes, I did, because the circumstances had changed a great deal between January, 1970 and March, 1971.

In March, 1970 there still existed the agreement -- I mean, in January, 1970 there still existed the agreement and the understanding that Mr. Mecom's rigs were going to be used in the Arctic on those leases and that they were going to take care of the making of those payments. It was quite obvious at that time, in March, 1971, that King Resources had not lived up to that part of the agreement, and had they lived up to it there would have been no liability. But since they dkdn't live up to it, did not live up to it, they were still carrying the liability on their books.

So the circumstances had altered the situation entirely.

Q Did you sign that and send it in?

A I sent it in without signing it.

Q Why?

A I think I sent it back down to the accounting department because it was an accounting matter.

Q Did you send the first one down to the accounting department?

A No, I didn't send the first one down to the

accounting department.

Q You signed that one and sent it in?

A That's right.

Q And you signed it for Mr. Mecom and sent it in?

A That's right. And there was another reason at that time. I wasn't doing any work for Mr. Mecom in 1971, other than when they would come and ask me questions. I didn't sign anything for him.

Q I would like to read to you, sir, your testimony in the Crofters litigation which you gave under oath on March 30, 1976, referring to the second confirmation letter.

On page 31, referring to Exhibit 4, which is the first confirmation letter in their proceedings, you were asked wasn't this the same agreement, the second one, the same confirmation that you signed when you signed the first confirmation, and you gave this answer:

"Yes, but in the interim when I signed it on Exhibit 4 we were -- still had conversation relating to the completion of the document and at that time I was still being assured that the document would be completed with the addenda executed by King Resources, but by the time this request of March 10, 1971 had been

received I had then received the memorandum from King, from Tim Lowry, which didn't send out the addenda that was agreed on, and I decided, well, maybe there was not to be an agreement."

In this testimony, sir, under oath you are stating as part of the reason for the difference between the two documents that you didn't get the letter from Mr. Lowry until after the signing of the first confirmation, is that not correct?

A No, that is not correct at all. You are forgetting that in our original conversations with Mr., Hulsey he had assured me that I would be sent a draft of the agreement and it would be put into form satisfactory to me as well as satisfactory, I presume, to King Resources.

Q Wait a minute. You are saying that in your conversation with Mr. Lowry?

A No, Mr. Hulsey.

Q Mr. Hulsey?

A That's right.

Q What was said was that you would be sent a document and then you would be given an opportunity to put it in form satisfactory to you?

A That's right, and that was never sent,

A1242

and I still felt, even as late as January 27th, that King resources would carry out their part of the agreement and use the rigs, but it became apparent some time in February or March that they had never had any intention of doing that.

Q What I am addressing myself to now, sir, is, is it not a fact that in your testimony on March 30th you testified that you received the Lowry letter after signing the first confirmation?

A If I did I was mistaken in that. I received it -- yes, that is correct. I received it after receiving the first confirmation but not after mailing it.

Q No, after signing the first confirmation, sir.

A That is correct too. But not after mailing the first confirmation.

Q Sir --

A I signed it and left it on my desk, I think my testimony shows, I signed it and left it on my desk. Mr. Lowry told me that it was in the mail. I held it on my desk until I received it. Then I put it in the mail on the 28th.

Q You are drawing a distinction, sir, between

A 1243

signing the confirmation on the 27th and putting it in the mail on the 28th?

A 1243

MR. WING: Objection.

A That is correct. I felt like talking to a lawyer who has Mr. Lowry's reputation that I could rely upon him that he had put it in the mail and that I would get it. I went ahead and signed it, but I didn't mail it until I received it.

I think if you will look at the document itself you will see that there is a different date on it. One is dated one day later than when I mailed the telegram because I waited until I got it before I mailed it.

Q Sir, all I am trying to find out is whether you were accurate in your testimony in the Crofter's case or whether it is inconsistent with your testimony now.

I just ask you if you will just read that testimony and tell me whether that is an accurate statement, starting at the bottom of page 31.

A That is correct.

Q This is a correct statement of the facts?

A Yes, but you are talking about a year later there?

Q Yes, sir.

A I had received it, but I also received it before I put the other in the mail too.

Q Let's move on to something else.

You do have a specific recollection, sir, of the March 10, 1971 confirmation and the way it was handled?

A I have a specific recollection that I had that typed on there and sent it down to accounting. Now, how it was handled after that, I don't know.

Q Just one further point on this, sir. On page 32 of the Crofters deposition were you asked the following question, did you give the following answer:

"Q At the time you signed Exhibit 4," which is the first of the two letters, "were you of the opinion that there was no liability on Mr. Mecom's part?

"A I was of the opinion that there would be no liability based on Mr. Mecom's part and that fact would be incorporated into the addenda that was to be signed and made a part of the agreement."

Do you recall giving that answer?

A I don't recall, but it is substantially correct.

Q Now, sir, going back for a moment to these

A1244A

A1244A

A I reported to Mr. Coffey who was the financial vice-president of King Resources, and to Mr. King.

Q Who in fact did you directly report to?

A Primarily to Mr. King.

Q Did there come a time that you went to work for Colorado Corporation?

A Yes, sir.

Q Who owned the stock of Colorado Corporation?

A Mr. King owned 20 per cent of the stock and trusts for the benefit of his children owned 60 per cent of the stock.

Q Who was chairman of Colorado Corporation's board of directors?

A Mr. King.

Q What was your position when you first went to work for Colorado Corporation?

A I was the treasurer of the Colorado Corporation.

Q How long did you hold that job?

A Until September of 1970.

Q I don't believe I asked you. When did you go to work for Colorado Corporation?

A January 15, 1969.

Q What job did you take in September of 1970?

A I was vice-president of planning.

BY MR. WING:

Q Did there come a time when you had a conversation with Mr. Bob Hulsey with respect to one of those sales?

A There was.

Q And as best you recall, sir, when and where did that conversation take place?

A It took place sometime after the first of the year, the exact date of which I don't recall.

Q Who was Mr. Hulsey?

A Mr. Hulsey was an officer of King Resources.

Q And as best you recall, what was the conversation?

A That Mr. King had -- that Mr. Hulsey was in a tight cash position --

Q Excuse me, Mr. Hulsey was in a tight cash position?

A I mean Mr. Mecom.

This related to a purchase that John Mecom had made.

And that John King had agreed that Mr. --

MR. ARMSTRONG: Your Honor, I object to this conversation. It is hearsay.

MR. WING: I think the witness has been here and has been questioned and has been cross examined with a view to impeach his credibility on this matter.

THE COURT: Is this going to introduce any statements about events other than those Mr. Hulsey testified to here?

MR. WING: Not that I know of.

THE COURT: I will allow it.

You may proceed.

A I am a little bit lost now, will you start me over again, please?

Q Sure.

With respect to your conversation with Mr. Hulsey about the Mecom purchase of an interest in the Arctic, could you tell us what that conversation was, as best you recall?

A It was to the effect that Mr. King had agreed that after Mr. Mecom had made certain of the payments on the purchase, he could put the property to Mr. King and Mr. King would make the further payments.

Q Can you explain to the jury, Mr. Lowry, what you mean by "put"?

A Well, a put is the right of someone to -- an option on somebody to require somebody to buy something from you at a predetermined price or on a predetermined basis.

If I have the right to put 100 shares of stock to somebody at 10 for a period of two months and it drops down

A1247
gtrf 3

A247

to 5, I can put it to him at 10 and get paid 10.

In this case it was the condition of the put, Mr. Mecom had a continuing obligation to make installment payments for development work on these Arctic permits over a period of several years, the number of which I have forgotten, and after he had made payments, I believe, for two or three years he was supposed to --

MR. ARMSTRONG: Your Honor, I object.

Is the witness now relating what was told him in this conversation?

THE WITNESS: Yes, I am relating what Mr. Hulsey told me.

MR. ARMSTRONG: I still object to the conversation on the previous grounds on which your Honor has ruled.

THE COURT: Go ahead, Mr. Lowry.

A That Mr. Mecom could be relieved of making further payments if he assigned his interest to Mr. King and Mr. King would make the further payments.

Q What did Mr. Hulsey say, sir, as to why he was telling all this to you?

A He wanted me to get -- ask John to sign some document or something like that. By "John," I mean Mr. King.

Q And did Mr. Hulsey have a document that he

to 5, I can put it to him at 10 and get paid 10.

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THE COURT: Go ahead, Mr. Lowry.

A That Mr. Mecom could be relieved of making further payments if he assigned his interest to Mr. King and Mr. King would make the further payments.

Q What did Mr. Hulsey say, sir, as to why he was telling all this to you?

A He wanted me to get -- ask John to sign some document or something like that. By "John," I mean Mr. King.

Q And did Mr. Hulsey have a document that he

wanted you to get Mr. King to sign?

A Frankly, I can't remember whether he had a document prepared at that time or whether he didn't or whether I prepared a document or whether I didn't.

Q After you first talked to Mr. Hulsey about this, did you speak with John King about it?

A I did.

Q And do you recall when and where that was?

A I don't recall the exact time, but it was in Denver. And I told him about it, and John said that -- I mean, Mr. King said that Mr. Mecom was in a tight cash position with his banks and wanted this so he could show the banks, it was all a bunch of baloney anyhow because these permits were going to be worth so much more in a year that it does not make any difference.

〈Of course, John was right.〉

MR. WING: I move to strike the last comment as not responsive.

THE COURT: All right.

Q Mr. Lowry, after you had that conversation with Mr. King, what, if anything, did you do?

A Either I drafted the document -- I talked to Mr. Marriott, Mr. Mecom's lawyer, and I told him I would try to get a document to him.

MR. WING: I have no further questions.

CROSS EXAMINATION

BY MR. ARMSTRONG:

Q Mr. Lowry, sir, can you tell the Court and the jury with respect to Government's Exhibit 1, that document that was shown to you --

A I don't remember them by number.

Q I am sorry. That was the document that was sent to Mr. Marriott.

A Yes.

Q You have talked to a lot of people about that over the years, is that not correct?

A Yes, I have.

Q And you have been questioned by the Government about it?

A By many government agencies.

Q Sir, as opposed to a reconstructed memory, what do you actually remember about that document?

A I actually remembered that I had a conversation with Mr. Hulsey about it, I had a conversation with Mr. King about it, I had a conversation by telephone with Mr. Marriott about it, I had a letter substantially the same substance as the one exhibited to me attached to that with a signature that bore his signature John M. King that I

thought was his that I retained in my possession in my Chicago office and destroyed it in January 1972.

Q Well, isn't it a fact, sir, that of your own recollection as opposed to what you have reconstructed, what you recall is that the document was in your file, number one; that you took it out and that it had a signature on it that appeared to you to be that of Mr. King's.

Isn't it a fact, sir, that everything else other than that is a reconstructed memory?

A It is not a reconstructed memory that I talked to Mr. Hulsey nor a reconstructed memory that I talked to Mr. Marriott or a reconstructed memory that I talked to Mr. King.

As to what is reconstructed otherwise, as I say, what you know and what you believe and how you ascertain it, over the years it gets mixed in and the longer time goes on, except for very outstanding salient positions, at least with me, it is very difficult.

Q Sir, do you recall giving testimony on February 23, 1972 with regard to tax matters before an Internal Revenue agent named William S. Sims, and a special agent Mr. Jerry Shea, this testimony given in Evanston, Illinois? Do you recall testifying at that time?

A I don't believe there was any testimony given

there.

I remember testifying to a special agent.

Q Let me show you Government's Exhibit 3507-V and just ask if that refreshes your recollection as to the fact of your testifying on that date (handing).

A Well, you said given in Evanston. It says here 17 North Dearborn. This is my home address.

Q I'm sorry. I'm sorry, you are right. This was in Chicago.

A Yes.

Q But you recall testifying on this date?

A I don't remember the date. I remember testifying in our IRS, Internal Revenue Service proceeding.

Q Let me ask you first, sir, when did you find the document in your files, to the best of your recollection, the document about which we have been speaking?

A In the latter part of December of 1971, when I was -- or the early part of -- in any event, in December I was preparing -- I had withdrawn from my firm and was preparing to move from my offices in 135 South LaSalle Street to new offices at 6 North Michigan Avenue. In that connection I went through many files to see what should be destroyed and what should be moved.

Q And that is when you found this document?

A That's right.

Q Now, this testimony was given in February of 1972, just two months after you found the document, is that correct?

A Yes, if that is the date of the testimony.

Q And just a little more than a year after the events about which you have testified, is that not correct?

A Well, they speak for themselves.

If you asked me to do arithmetic I will do it.

Q Sir, on that occasion, were you asked the following questions and did you give the following answers:

First of all, the subject of this investigation had to do with some net operating profits interests and Keene Wolcott and that sort of thing, isn't that a fact?

A That is true.

Q And were you asked the following questions and did you give the following answers:

"Q Do you know of any other buy back agreements similar to this that were entered into in regard to the NOPI transaction?

"A Not that was finally executed. I think there was one discussed.

"Q And with whom was that discussed?

"A No, that was not a NOPI at all, just the sale of

leases.

"Q Who would that be?

"A This was a sale of leases.

"Q With whom?

"A Mr. Mecom.

"Q Mr. Mecom? Who is that?

"A John Mecom.

"Q Is he related to the King Resources?

"A He was one of the very largest independent oil and gas operators in the world. He has had recent financial problems. His son owns the New Orleans Football Team, John Mecom, Jr.

"Q Is Mr. Mecom from New Orleans?

"A Houston, I believe. I don't know Mr. Mecom.

"Q But there was some type of buy back agreement with Mr. King --

"A With respect to some oil and gas leases, I believe, in West Texas.

"Q Who owned those leases?

"A I believe the Colorado Corporation did, although I am not sure.

"Q Do you remember when that took place?

"A No, I do not. I don't think it was consummated. You asked if I knew of any and I said I was thinking of

any buy backs that I knew about and I said I remember one that was, I think, never consummated, although there were talks about it."

Now, sir, do you recall being asked those questions and giving those answers?

A Only from reading the transcript. Actually, when I read it first, I was amazed that I testified that way.

Q But you have no recollection of it, but you have no doubt that you testified to that?

A I have no doubt that I testified that way.

Q And, in fact, sir, you reviewed the testimony afterwards, isn't that correct?

A Well, it would appear I did, not from this, but from -- there is a supplement to this, I believe, on which I have initialled the pages.

Q I will get to that.

There is a notation here on the certification on this copy, "Except as modified by my testimony of July 11, 1972."

Do you recall testifying on July 11, 1972, again in Chicago, before the same agents?

I show you Exhibit 3507-W.

A Yes.

I don't recall the date except from looking at it.

Q Are those your initials on the pages?

A Those are my initials. They are.

Q And on this testimony, sir, there is a question on the first page, question No. 6:

"All right. Now you have another additional correction to make on question 100," which refers to the prior interrogation. Is that correct?

A That is what that says.

If you are asking me do I have an independent recollection of it, I don't.

Q Well, the answer that is given, sir, is:

"Q100: The question was asked did I know of any other buy back agreements similar to the one with Mr. Wolcott and my answer was, 'Not that was finally executed, I think there was one discussed,' and my answer to, again, to Q110 is, so you have no recollection of any other buy back agreements and I said, 'No,' and I would like to correct my answers to both of those to 'yes'."

Then you went on, sir, to describe another buy back agreement that you had known about, is that correct?

A That is true.

Q But in the course of this question, you focused specifically upon your prior answer in the prior testimony, did you not?

A 1257

A Apparently so.

Q And the initials on page 2 are yours?

A The initials on each page are mine.

Q Now, sir, is it possible that at that time, in 1972, that you knew the facts that you have now forgotten about this transaction?

A It is possible.

Q And is it possible, sir, that at that time you knew facts which you testified to which indicated that the so-called side agreement with Mr. Mecom was never finally executed?

MR. WING: Objection. Calling for speculation.

THE COURT: Sustained.

Q Is it inconsistent, sir, with your recollection of the events that you would have at that time known of facts that would at that time have led you to believe that the document, the so-called side agreement, was never finally executed?

MR. WING: I object to the form of the question.

THE COURT: Sustained.

Q Sir, at that time, do you have any reason to believe that your recollection was not any good on this date?

A I can't reconcile my testimony in the deposition

A 1258

which you have read given in 1972 with my present recollection. That is all I can say. It is a mystery to me.

Q Well, sir, do you have any reason to believe that your recollection at this time was inaccurate?

A Beg pardon?

Q Do you have any reason to believe that your recollection at this time was not accurate?

A I have a very strong conviction that I would not willingly under oath testify to anything that I didn't believe was true.

Q Well, sir, I don't believe this was actually under oath, but does that make your conviction that you would not testify to something that was not true?

A Not a bit. It is the same offense, testifying falsely to the Internal Revenue Service as if you were under oath.

Q Now, sir, at the time you testified, do you recall whether your reference to the Colorado Corporation and the oil and gas leases in West Texas referred to to the use or to the purpose for the original payment, the $275,00? Do you have any recollection about that one way or the other?

A None whatsoever.

Q Mr. Lowry --

my last one at midnight, seven days a week, traveled millions of miles to various foreign countries and within the United States. I still tried to keep my own practice in Chicago.

Q Sir, do you recall testifying in the bankruptcy proceedings of King Resources Company in Denver, Colorado on July 16, 1974?

A I remember testifying but I don't remember the date.

Q Sir, at that time were you asked the following questions and did you give the following answers, testifying about the document that you have testified to here today which you sent to Mr. Marriott --

MR. WING: What page is that, Mr. Armstrong?

MR. ARMSTRONG: Page 16.

Q -- "Q Mr. Marriott did have a copy of it, is that correct?

"A Yes, I sent him a copy and I was to retain the original in my file.

"Q The document itself was executed by John King?

" I have forgotten whether executed by John King or signed by me."

Were you asked those questions and did you

give those answers?

A I don't remember giving the last -- I don't remember specifically giving the -- being asked those questions and giving those answers.

Q But you have no question, sir, that you were asked the question and gave the answer?

A If that's in a transcript -- I would ordinarily not sign Mr. King's signature unless I had a specific power of attorney to do so.

Q Sir, do you recall testifying in a deposition, Charles Baer as trustee of King Resources vs. Franklin Supply Company, et al., in the Federal District Court in Denver, Colorado on April 23, 1975? Do you have any recollection of testifying on that occasion, sir?

A In what proceeding?

Q This is in the proceeding involving the trustee of King Resources and Franklin Supply Company, Harper International, Limited, Lark Oil Co., etc.

A Yes, I remember.

Q On that occasion, sir, do you recall being asked:

"Q Did John King sign the document" --

MR. WING: What page, Mr. Armstrong?

all the data on it of the variety that I had originally recommended be done as -- concurrently with their making the sale.

THE COURT: All right. Objection overruled.

Q Sir, with respect to your recollection as to when you sent the Government Exhibit 1, the document we have been talking about, to Mr. Harriott, is it not a fact, sir, that you have no clear recollection wnether it was sent some time in January or even into February? Could it have been sent in February?

A All I can tell you is I am positive it was after the first of the year. Whether it was one week, two weeks, three weeks or four weeks after, I can't be sure. I just know it was after the first of the year.

Q Could it have been sent some time in February?

MR. WING: Objection to the speculation.

THE COURT: I will allow it.

A My memory is not that good. The answer is yes, it could have been. But I just believe it's maybe a week -- I just don't think, certainly, it was beyond that time.

Q Sir, do you recall testifying before the

Now, at that time, sir, did you have any reason to believe that any transactions of the company and subsidiaries with outside parties were conducted on anything but an arm's length basis?

A No.

Q In other words, the transactions that as of 1970, as of 1970, with what you knew then and what you remembered then and the facts that you had at your command at that time, there was no question in your mind that the transactions, for instance, with Mr. Mecom were arm's length?

A That's right.

Q And, sir, did you, in fact, talk to Mr. Hubbard of Arthur Andersen on January 20, 1970?

A I can't pinpoint the date of any conversation with anyone that closely.

Q I ask you, sir, if you recall a conversation with Mr. Hubbard in the presence of Mr. Boucher where you confirmed that your understanding of the negotiations and intent and legal position of the purchasers in connection -- and we are talking in connection with the Arctic purchase -- namely, there is no unilateral way for the purchasers to reduce or avoid their expenditure of $11,741,000 in exploration money -- do you recall making any statement like that to Mr. Hubbard?

ether, please.

A Mr. D. Hubbard?

Q Yes.

Is he with Arthur Andersen from the Denver office?

A He is a partner in the Denver office.

Q I show you what has been marked as Defendant's ibit HH for identification, and I just ask you to read first paragraph of this document (handing).

A All right, I have read it.

Q Now, directing your attention to sometime in uary 1970, did you have a conversation with Mr. Hubbard Arthur Andersen in which Rowland Boucher was present?

A I believe I did.

Q And were the Arctic transactions of Mecom, , et cetera, discussed with Hubbard at that time?

A Mecom and who?

Q Consolidated Oil & Gas.

A Oh, Consolidated Oil & Gas. Yes.

Q You say Mr. Boucher was present.

What, if anything, was said at that conversation erning the legal obligations of Mecom and KRC?

A I have forgotten exactly what was said at that ting.

I know I expressed my opinion that Mr. Mecom,

as far as King Resources was concerned, had no way of avoiding his obligation.

Q And that is despite the fact that you might have known at the time that Exhibit 1 existed?

A Exhibit 1 existed, it was effective, that is just so much frosting on the cake. This does not relieve Mr. Mecom so far as King Resources is concerned, it merely says, in effect, that John King is guaranteeing King Resources, and Mecom is still obligated.

Q Could you repeat that again? What do you mean by frosting on the cake?

A They got the undertaking of Mecom to fulfil; if this is effective they have the double undertaking of Mr. King to fulfil if Mr. Mecom does not.

Q You testified, I think, that Mr. Hulsey discussed what ultimately became Exhibit 1 with you sometime after the first of the year 1970; is that right?

A That's right.

Q Did Boucher's name come up in that conversation?

A It did not.

Q Did Boucher's name come up in any conversations relating to Exhibit 1, as best you can recall?

A Not with me.

MR. MALONEY: I have no further questions,

your Honor.

MR. WING: Do you have Exhibit 1, Mr. Maloney?

MR. MALONEY: It is right there.

May I ask one more question, your Honor?

THE COURT: Yes.

BY MR. MALONEY:

Q Did you ever discuss Exhibit 1 with Rowland Boucher at any time?

A I did not.

REDIRECT EXAMINATION

BY MR. WING:

Q Very specifically, Mr. Lowry, in the spring of 1971, around March, did you receive any telephone calls from Mr. Boucher about Exhibit 1?

A I did not.

Q Now, you testified that you have been questioned by many government agents.

Have you also had conversations prior to this day with Mr. Armstrong and Mr. Maloney?

A Yes, I have had conversations with Mr. Armstrong and Mr. Maloney.

Q I would like to ask you some questions about your testimony before the IRS in February of 1972.

At that time I think you testified, at least

A 1265

THE COURT: No, let's go on, Mr. Wing. A 1265

Q Well, would the same be true with respect to the second paragraph, that is the guarantee of the put?

A What is this?

Q The second paragraph or the third paragraph --

A It is not a guarantee, it is an agreement to buy. It is an agreement to buy, it is not a guarantee.

Here at this point Mr. Mecom will have put in there about a million dollars.

Q From funds given to him by Mr. King?

MR. ARMSTRONG: Objection, your Honor.

A I don't know where the hell he got it, what he owed for it in order to get it. So far as I know it was never a gift. So far as I know, Mr. King never gave Mr. Mecom one penny. How he got it, I don't -- I don't know. But I know Mr. King is not the kind of a guy that goes around giving John Mecom or anybody else 275,000 bucks. He may make it available to him, but I bet you it is going to be coming back.

Q Didn't he make the promise in this letter, Mr. Lowry --

A The letter speaks for itself. I will read it to the jury if you would like me to.

Q Well, can you explain the --

A I won't explain more than that is there. I am getting a little -- I don't know. What do you want me to say?

Q Mr. Lowry, I want you to tell the jury how that letter comports with what you told Mr. vonStein in the SEC testimony read to you --

A Exactly what I said; I told Mr. vonStein there was no guarantee. A guarantee means he won't suffer a loss.

At the time Mr. King buys him out, he will have suffered a loss and has to give up his property. Now, that is not a guarantee in my book. It may be in yours, but not mine.

Q Was Mr. vonStein asking you about a formal guarantee?

A He was asking about a guarantee.

MR. ARMSTRONG: Your Honor, I object.

THE COURT: Please. Now let's go on to something else.

MR.WING: Very well, your Honor.

THE COURT: If you have any more redirect.

MR. WING: I do.

Q You testified, sir, that the transaction with Mecom you considered to be arm's length in your mind.

A Yes, sir.

Q Was John King the principal stockholder of King Resources?

A He owned 15 per cent, he and his family.

Q And was he the largest stockholder?

A Yes, sir.

Q Did he, in effect, have a controlling interest of the company?

A Beg pardon?

Q Did he, in effect, have a controlling interest in that company?

A I would think from a practical standpoint he did.

Q Was he also the chairman of the board of directors of that company?

A He was.

Q And was he also the chief executive officer of that company?

A He was.

Q And was Mr. King in those positions with King Resources the man who was making the promises or assurances or whatever word you want to choose set forth in Government's Exhibit 1?

A He was the same man, but not in the same capacity.

Q Well, can you explain to us, sir, why it is that you think that the deal between Mecom and King Resources

was an arm's length deal in view of Mr. King's relationship in King Resources?

A Any time a man risks 275,000 bucks in something, it is an arm's length transaction or he wouldn't go into it because nobody wants to lose $275,000, even if he has, as Mecom has, $100 million.

Q Did you tell that to Arthur Andersen?

A Did I?

Q Yes.

A I didn't talk to Arthur Andersen, no.

Q Did you ever mention anything about that Government's Exhibit 1 to Arthur Andersen?

A I did not.

Q You said you didn't ever hear from Mr. Marriott again with respect to the side agreement, is that correct, that is, after you sent the agreement down?

I would like to show you Government's Exhibit K for identification.

MR.ARMSTRONG: Your Honor, I don't believe there was an answer to that question.

THE COURT: What is the answer, Mr. Lowry?

THE WITNESS: I thought I was making a statement, I didn't think he asked me anything at all.

THE COURT: He asked you is that correct.

Q That is correct.

A It has a right to get paid, but not more than once.

Q If John King kept the promises in that agreement, Mecom would be relieved, wouldn't he?

A Sure, sure. He wouldn't be --

MR. ARMSTRONG: Your Honor, I object.

THE C[illegible] You are late. If you would have objected when the line started, you would have won.

Let's go on to something else.

Q To your knowledge, Mr. Lowry, did John Mecom keep his obligations to King Resources?

A I have no idea.

MR. WING: I have no further questions.

MR. MALONEY: Just two or three questions.

RECROSS EXAMINATION

BY MR. MALONEY:

Q You were asked on redirect by Mr. Wing whether or not you spoke to Rowland Boucher about Exhibit 1 in the spring of 1971.

Do you recall sometime in the spring of 1971 a Dr. Frederickson at KRC receiving some kind of correspondence from Marriott?

A How would I recall what he received?

Q All right. Do you recall anybody discussing Dr. Frederickson?

A Nobody ever discussed it.

MR. MALONEY: No further questions.

MR. ARMSTRONG: I have none, your Honor.

THE COURT: All right. Thank you, Mr. Lowry.

THE WITNESS: Thank you for continuing to let me go. I appreciate it very much.

THE COURT: I don't know whether you appreciated it or not. It depends on how quickly you get hungry. If you are grateful, I am glad.

THE WITNESS: I am hungry to go home.

THE COURT: All right, sir.

(Witness excused.)

THE COURT: Let us go to lunch. I don't know how to calculate an hour and 15 minutes from here.

20 minutes to 3:00, all right, let us come back at 20 minutes before 3:00.

THE CLERK: Will all spectators please remain seated until the jury leaves the court room.

(Jury left court room.)

THE COURT: I know you can't manage everything, Mr. Armstrong, but that has to be managed better and I want it managed better from now on.

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Q And at the time that it was made, was it part of the regular course of the business of the Colorado Corporation to make and keep a record such as Government's Exhibit 40A?

A Yes.

MR. VIZCARRONDO: The government offers Exhibit 40A for identification into evidence.

MR. MALONEY: The usual objection, your Honor, on behalf of Boucher being taken subject to connection.

THE COURT: All right.

MR. GOLDNER: I object on the grounds of relevancy. These relate to sales by the Colorado Corporation, which is outside the scope of the indictment.

As we read it, paragraph 18 talks about sales by KRC. Now, it is true that the Colorado Corp. had some NOPI interests in some KRC properties, but this is bringing in entirely new sales transactions, direct sales made by the Colorado Corp.

MR. VIZCARRONDO: Your Honor, I believe that there has been a great deal of testimony already as to the interrelationship between King Resources Company and the Colorado Corporation, and specifically

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as to the business with the Fund of Funds, that all sales from the Colorado Corporation to the Fund of Funds were funneled through King Resources Company and, in addition, the Colorado Corporation earned a 5 per cent Commission on all sales made by King Resources Company to the Fund of Funds.

But in any event, the government offers these and other documents that we intend to have Mr. Willey identify to lay the foundation as to future testimony to show the profit that the Colorado Corporation, which was John King's personal company, made on its business with the Fund of Funds, which we feel goes to the defendants' motives.

MR. COLODNER: Your Honor, if I may -- I'm sorry.

THE COURT: I was about to give the jury five minutes in the belief that maybe they could use it at this time.

Is that agreeable?

MR. COLODNER: Yes, your Honor.

THE COURT: Take five or even six minutes, please.

(The jury left the courtroom.)

THE COURT: Now, these sales that you are

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planning to have us look at, Mr. Vizcarrondo, occur when?

MR. VIZCARRONDO: In 1969 and 1970.

THE COURT: And you say they are within the allegations of the indictment why?

MR. VIZCARRONDO: Well, for one thing, your Honor, there is a specific allegation in the indictment -- give me a moment and I will find it. It is paragraph 18, which says that it was a part of the scheming to defraud that the defendants caused POF to purchase undivided interests in oil and gas and other natural resources properties at substantially higher prices than those paid by KRC to acquire these interests thereby generating substantial revenues for KRC and other corporate entities affiliated with or controlled by John H. King.

In addition, your Honor, the evidence that we intend to introduce as to the amount of profit that this business between Colorado Corporation and IOS gave Colorado Corporation, as well as the importance to Colorado Corporation of its business with IOS, goes to the issues of the defendants' motives.

THE COURT: Are these properties in that thick ledger -- are any of them Arctic properties?

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MR. VIZCARRONDO: No, your Honor.

THE COURT: When you say in addition, I still can't see what it goes to other than motive, frankly, in this case.

Does it go to anything else?

MR. VIZCARRONDO: Well, we do claim that by reason of that paragraph there it is part of the overall scheme to defraud, but --

THE COURT: The overall scheme to defraud is too overall for me, as I keep trying to tell you.

MR. VIZCARRONDO: Okay.

THE COURT: And it comes down to me, as I keep trying to tell you, to the three sales and the revaluation, and I haven't heard the defendants object much to that kind of focus but I will hear them now.

MR. MALONEY: Oh, it has always been our point.

THE COURT: And I haven't heard the government object much to that, and I would like you all to be guided by that.

I am going to sustain the objection.

I think the size of FOF as a customer and the claim that it was an agreeable customer to have has already been proved to the hilt, and when we start

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putting in big, fat ledgers to prove that some more we are going to mislead the jury in the same way, I might say, in order to be even-handed, as I think it would mislead the jury to have a lot of testimony about what per cent of what rigs in the United States who had tied up when when we are dealing with a question whether somebody paid $275,000 out without having a contract for anything.

But even if that analogy doesn't succeed, I sustain the objection.

Is that what you have this witness for?

MR. VIZCARRONDO: Well, your Honor, may I explain a little further?

The only reason that we are offering this document is to lay the foundation for future testimony by an accountant who has analyzed the books and records of King Resources Company and the books and records of the Colorado Corporation and will testify, first, as to the percentage of which the FOF sales was to the overall business of both King Resources and the Colorado Corporation and the percentage that the gross profit to both those companies on this business was to their gross profit overall, and we feel --

THE COURT: I thought you were going to

stipulate that.

Is it necessary to have this?

Were you unable to stipulate that?

MR. COLODNER: Your Honor, our problem is that the government seeks to use the profitability of TOF's sales to suggest or imply that there is some evil motive or bad faith involved, and the face of the matter is, your Honor --

THE COURT: But you keep telling me that and I ask you to stipulate the facts. I will control their efforts to show evil motives. I am not asking you to stipulate motives.

Can't you stipulate the numbers so we don't need all these ledgers?

MR. COLODNER: Your Honor, let me explain the problem.

Mr. Hubbard, the accountant for Arthur Andersen, was asked whether or not those numbers should go in the registration statement, and he felt, as an accountant, that those numbers would be misleading if they went in without further explanation.

Now, our fear is, your Honor, that if the 35 per cent and the 65 per cent went in without further explanation of why there is the difference between

MR. VIZCARRONDO: Your Honor, with all due respect, we strongly feel that this evidence goes to the heart of this indictment.

The transactions alleged in the indictment were transactions that would ostensibly have benefited the Fund of Funds and not KRC. This is evidence as to what an important customer FOF was to KRC and to Colorado Corporation, and not just opinion, but hard figures.

THE COURT: I know, but I think it is enough already.

It is so important to the government that Mr. Wing keeps wanting to get up, and since he is older I will listen while he gets up a little bit.

MR. WING: Thank you, Judge.

Mr. Vizcarrondo is right that it goes to the heart of the case and the reason is pretty simple. It's not just that they were a good customer, Judge. They were a customer like no other customer that this company had ever had.

Let me bore you with just a few figures so that you will appreciate the significance of what we want to show the jury.

This company in 1967 had a net revenue of

leases or acreage to anybody but FOF with which to make the comparison?

MR. COLODNER: Yes, your Honor, and where there are other sales of leases there are substantial markups.

THE COURT: Of the same order?

MR. COLODNER: Yes, your Honor.

THE COURT: I don't see why I should allow any of this, Mr. Vizcarrondo, the expert or any of it.

I know I once ruled with you, but I get older and wiser with time.

It seems to me that it lards up this record and diverts attention from the main subject excessively, and that the prejudice from it may, indeed, be undue.

I think I ought to exclude the whole business.

You have had a lot of people testify, three or four or five, that FOF was a big, fat, attractive customer, and the jury knows that; even I know it by now. The rest of it seems to me to be overloading.

A 1268 P

important customer to them.

THE COURT: What about these increases in revenues.

MR. COLODNER: Those are public documents, your Honor.

MR. MALONEY: They are in the record already I think.

THE COURT: I know. Also what was it, the percentage of net revenuws derived from FOF?

MR. WING: That is where the trouble is. They won't stipulate to the fact that there was 65 per cent of the gross profit, or whatever the number is.

MR. COLODNER: That is gross profit, your Honor, and so we get into questions of how one calculates to the bottom line.

THE COURT: How big are those questions?

MR. COLODNER: They are substantial, your Honor, especially with respect to the growing costs of this company during the same period of time.

There is also an indication that the mark-up question on sales to FOF was studied by the auditors for Fund of Funds and by the auditors for FOF and their work papers that indicate the markups were reasonable and that if you exclude two particular very large trans-

roughly $4 million. In 1968, which was the first year that they did a lot of business with the Fund of Funds, their net revenue tripled to $12 million, and I don't know the gross revenues, but they increased substantially, in large measure because of this business, and more than that, in large measure because of the enormous profit percentage that was made from this business.

In 1969 the revenues go from $12 million to $25 million -- that's the net revenues -- and the gross are around 115 or something like that. Judge, in that year the Fund of Funds contributed 35 per cent perhaps to the gross revenues, but they contributed 65 per cent to their gross profit.

Now, that is why these things were done, we submit. If we cannot show the jury that and if we cannot show the jury that with the figures and we are restricted to saying, "Oh, they were a good customer," I don't think the jury is going to believe that these defendants would have committed this or any other fraud for that reason, and that is why it is such an integral part of the case.

Now, the Colorado Corporation properties, as I understand it, were sold through King Resources.

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KRC at substantially higher prices than those paid by KRC to acquire those interests.

Now, these transactions are not those transactions, your Honor.

THE COURT: You are not helping me. I am letting it in whether it is within paragraph 18 or not. You don't have to have the motive alleged in the indictment nor the facts that show the motive. All the talk about paragraph 18, which I have read too many times now anyhow, is not useful.

I am sorry. I am going to revert to what I ruled before.

MR. MALONEY: Would your Honor reconsider if overnight to talk with my counsel about the 65 per cent of the gross profit?

THE COURT: No, you have had overnight. I will give you another five minutes, if you can stipulate now.

Before I can give you the five minutes, or even ten, I take it, Mr. Wing and Mr. Vizcarrondo, if you got the 65 per cent and the 35 per cent and the net revenue figures that would be the bottom lines of what you are really after with all this.

MR. WING: Those per cents for the three

trying to slow the case down or drag in lots of books and records. We have tried to stipulate books and records throughout this trial and have been unable to to some degree and that is why we have this witness here. But we think it is the only way we can show what caused this whole thing, Judge, because without that the defense lawyers are going to get up and make terrific arguments to the jury that the only people who benefited from this revaluation were the fund, the people who the government says are the victims, and it doesn't look that way if you leave out this stuff where John King is putting the money in his pocket, but if you know that the revenues of the company go up and that therefore the price of the stock goes up and that John King owns almost 3 million shares of that company and that means he has made roughly $30 million on the increase in the price of that stock, then you see what it is all about and we need the number to do that.

MR. MALONEY: Your Honor, the reason this is so prejudicial and goes beyond its probative worth is he is not making any comparison with the rest of the oil industry.

We have the court-appointed trustee who

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very far beyond this anyhow.

(Recess)

MR. COLODNER: Your Honor, I have to reluctantly inform the court that we do not feel that we can stipulate on just the numbers and that they require further explanation.

THE COURT: Okay. That usually happens when I save time. It takes a lot of time. But let's proceed.

MR. MALONEY: I repeat my objection for the record that there has been no tie-in between Colorado's and Rowland Boucher's participation.

THE COURT: All right.

(Jury present.)

THE COURT: Sorry to keep you waiting. It was mostly my fault. We are ready to continue.

I think we had a pending objection to that ledger.

MR. COLODNER: Yes, your Honor.

THE COURT: What is its number?

MR. VIZCARRONDO: Government's Exhibit 40A.

THE COURT: All right. With certain limitations that I suspect you will eventually hear

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Mr. Wing is not far from the Mark when he predicts you will be saying really this was great for FOF because it swelled the value of their properties. So how it really worked and how it allegedly enriched Mr. King and Mr. Boucher or either or both of them I think the government is entitled to show.

I keep going back and forth because I really wish you would stipulate. I don't like all this stuff loading up the record. But if you can't stipulate and if it shows that kind of gain, maybe I have to back off again.

MR. MALONEY: Your Honor, did you hear Bennett King testify that he bought this acreage at $15 an acre knowing KRC had bought it for $1?

THE COURT: Look, you keep going back to that. What Wing and Vizcarrondo want to show is the importance of FOF to KRC and its affiliates and they want to show it concretely and I guess I have to let them. I am trying to think of some way to show that briefly.

MR. MALONEY: Your Honor, we have agreed and we are prepared to stipulate that Fund of Funds had 35 per cent, I think the figure is, of sales of KRC for those years involved and was the single most

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he held that belief if in fact it turns out that he was right, and in fact it has turned out.

MR. WING: We haven't objected to a lot of the questions on Mr. Armstrong's theory that he should be allowed to show what was motivating the man, but what the thing is worth now, whether Trueblood was right or wrong, is totally irrelevant to that.

THE COURT: Yes, I think so. If I haven't so ruled, I now so rule.

In fact, it is worse than irrelevant. If he thought this was a deal that was going to make Continental Oil into Exaco and Socal and in addition he got a side deal where he went in risk free, that was all the better. I don't see any inconsistency between his believing he was going to have a bonanza and the belief that he could get out of it if it didn't turn out to be a bonanza.

You are not saying it was an insurance policy.

In any event, I think the present situation, for reasons we have gone into at great length in the past, is not probative on any issue at least that I have hard so far and I sustain the Government's objection.

MR. WING: Your Honor, for the record, it is my understanding that they drilled a well or two there and they were dry.

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actions between KRC and Fund of Funds during 1969 the averabe markup on deals with FOF is lower than the average markup on deals with all other customers during 1969.

THE COURT: In that case you can't stipulate at all.

MR. COLODNER: Your Honor, I really don't think that there is that much in issue. I think what the government is attempting to suggest is that there was fraud in the sales of the properties in the first instance.

THE COURT: You keep saying that and I am not going to let them suggest it or say it and if you want an instruction on that you will get it.

I am just trying to figure out a way to get these bottom line things into the record without so much paraphernalia, but much as I regret to go back and forth, if we can't, I guess the government has a right to show what they allege was motivating these people to do these things.

MR. COLODNER: Your Honor, may I just direct one comment to this particular evidence that is coming in.

Paragraph 18 talks about purchases from

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MR. MALONEY: What we wanted on the record was what we discussed late yesterday your Honor.

We weren't able to work out a stipulation. The testimony, from what I can tell, will take two minutes from Mr. Trueblood.

THE COURT: Make your offer of proof. We don't need testimony. Just make your offer of proof.

MR. ARMSTRONG: The rules do provide for the Court being able to take it in this fashion and we feel that we would like to offer it on the record so that we can tell exactly what it was that he would have said.

MR. MALONEY: I don't pretend to be an oil man, but the proof essentially would say that he has recently caused a study to be made in his company by his staff of certain joint holdings between KRC, Sun Oil, Global Resources, which is a spinoff of Fund of Funds, and Consolidated Oil & Gas holdings in the Arctic right now, the very property in this lawsuit, and based on their studies and what they have hit up there in the particular area, they estimate that the present value of the Arctic holdings jointly held by these companies is in the area of $400 million; that it would be worth $700 million down the road but discounted it comes out to $400 million, this particular property.

The particular acreage we are talking about in

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the particular block we are talking about is worth somewhere in the neighborhood of anywhere from $140,000 an acre to almost $200,000 an acre.

It is essentially what he would testify to and we would back it up with the studies done by his company.

MR. ARMSTRONG: That is with respect, your Honor, to a 2,000 acre portion.

What I mean is that the estimates of hundreds of thousands of dollars an acre applied to one 2,000 acre area, and the witness' testimony is that that is the only one they found so far.

In other words, the potential value in the future could be much greater.

MR. MALONEY: And while we are on this issue --

MR. ARMSTRONG: I am talking about gasoline reserves primarily.

MR.MALONEY: While we are on this issue since you are not going to let the testimony in, your Honor, we are aware of present negotiations between Pan Arctic, which is the quasi-governmental Canadian company which is negotiating with these joint owners, namely, KRC, Consolidated Gas and the other companies, they are presently negotiating to buy this acreage from them, and those negotiations have not been finalized, but they are in the hundreds of millions

of dollars.

MR. WING: Hundreds of millions of dollars?

MR. MALONEY: Yes, sir.

THE COURT: Hundreds of millions of dollars, Mr. Maloney said.

MR. WING: I would just like to put on the record that I spoke briefly with Mr. Trueblood about this last night after court, that he said that the study he was talking about was made by somebody in Consolidated Oil & Gas with respect to information obtained from the drilling of a gas well on a 2,000 acre plot, that the calculations were based on the assumption at least three or maybe four, I'm not sure, other wells would be drilled and would produce, and that it was further based on the assumption that the necessary transportation from the particular well either by pipeline or some other means would be constructed and approved so that whatever is in the ground there could eventually get to market.

If we had gotten into an issue on this, the Government would have been prepared to prove that all of those factors would require very substantial expensive money and we would dispute Mr. Trueblood's testimony as to the value.

THE COURT: All right. Anything else on this?

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MR. ARMSTRONG: Well, just one final thing, your Honor.

As I understand it, Mr. Trueblood would testify that with respect to gas finds in the Arctic -- and I forget the exact numbers now, your Honor, that is why we wanted to have Mr. Trueblood testify, but they are within a very small amount of finding proven reserves of gas in the Arctic, they are within a very small amount of the level that has been set in the industry generally, as I understand it, of reserves that are necessary in order for a pipeline to be built.

Indeed -- well, I don't want to say anything more than that because I didn't get it from Trueblood.

MR. WING: I think essentially what Mr. Armstrong is saying is in order for a pipeline to be built to take anything out, they have to find a certain amount of gas. They haven't found it yet, and he is saying they are very close.

MR. ARMSTRONG: No.

MR. COLODNER: I believe the published reports are reserves of approximately 19 trillion cubic feet of gas have been found, and I believe that approaches the level at which the pipeline is considered economically feasible.

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THE COURT: I think you have covered it, gentleman. The ruling stands.

Let's go.

(In open court, jury present.)

THE COURT: I just wanted to deliver my daily apology to the jury for our tardiness. I am sorry about this. We, particularly the lawyers who are supposed to be at work, have been at work, but we are now ready.

All right.

HARRY HENRY TRUEBLOOD, JR., resumed the stand and testified further as follows:

CROSS EXAMINATION

BY MR. ARMSTRONG (Continued):

Q Mr. Trueblood, you recall yesterday that Mr. Wing questioned you with respect to the letter to shareholders on June 5, 1970, which was sent out by your company and by you to your shareholders.

Do you recall that?

A Yes, I do.

Q And that document is in evidence. I would like to read a couple of portions to you.

First of all, right at the outset, "Chairman's special letter to shareholders. On May 19th trading in the shares of our company on the American Stock Exchange was halted at our request."

A That is correct.

Q And if, in fact, those assumptions I gave you were correct, Mr. Mecom would be using his own funds to make that down payment, isn't that correct?

A That would be our understanding.

Q Mr. Hubbard, with respect to Consolidated Oil & Gas, in or around May of 1970, was further investigation made as to the circumstances surrounding that transaction?

A Yes.

Q And who conducted that investigation for Arthur Andersen?

A Most of that was done by Phil Carr.

Q And did he prepare a memorandum of the conversation he had with Mr. Trueblood?

A Yes.

Q And did he also obtain a reconfirmation of Consolidated's obligations under the Arctic contract?

A Yes.

Q Had you ever had a conversation with anyone at King Resources Company prior to May of 1970 concerning the nature of Consolidated's obligations under its contract?

A Yes.

Q Do you recall when that happened?

A I believe it was in January of 1970.

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Q I show you AB for identification, and ask you whether that refreshes your recollection (handing)?

A Yes. This is what I was thinking of.

Q And that is a memorandum dated January 20, 1970?

A Yes.

Q And it reflects a conversation with whom?

A Rowland Boucher and Tim Lowry.

Q And was this memorandum prepared in the course of your audit of Fund of Funds?

A Yes.

Q Was it made in the regular course of that audit?

A Yes.

Q And was it part of the regular course of your business to make such a memorandum?

A Yes.

MR. COLODNER: I offer it, your Honor.

MR. WING: The Government has no objection.

(Defendant's Exhibit AB received in evidence.)

Q Mr. Hubbard, this document is in your handwriting, sir.

Could you read it for us?

A Yes.

It is entitled "Fund of Funds. Memo regarding

nature of obligation of purchasers of Arctic permit interests for exploration costs," and it is dated January 20, 1970.

"I discussed the nature of this obligation today with Boucher and Lowry. Both parties confirm their understanding of the negotiations, the intent and legal position of the purchasers, namely, there is no unilateral way for them to reduce or avoid their expenditure of $11,741,000 in exploration money. KRC has complete control over the exploration program and thereby controls the call upon this obligation.

"The wording of the agreements is somewhat ambiguous in that the work obligation is initially related to exploration costs necessary to earn and maintain, but further language states intent is to pay for exploration work at $7.50 per net acre acquired and further states that after a total of $20,872,000 has been expended, of which 56.25 per cent will be expenditures for the account of the purchaser.

"The question I put to both Rowland and Tim was whether or not the purchasers could deny obligation for 56.25 per cent and, instead, acknowledge obligations for only 7.03 per cent for the first $20,872,000 spent if any of it technically was not necessary to earn and maintain the permits, such as might be the case in some

development work, not exploratory, were undertaken before the exploration program was complete. Rowland thought not because the intent was to pay 56.25 per cent of the first $20 million spent. Tim was not sure that this would be the case. Both parties acknowledged that the operating agreement to be entered into should clarify this question by specifically providing for the substitution of development work for the exploration work insofar as satisfying the purchaser's cost obligation is concerned.

"Tim pointed out that even if part of the first $20 million includes developmental costs charged only 7.03 per cent of such costs, that this in no way reduces their continuing obligation to pay for 56.25 per cent of the first $20 million in exploration costs.

Thus, the affect of a technical literal interpretation of the buyers obligation would be principally one of timing, when the exploration money is spent, which is mitigated by the contract provisions in three of the four agreements requiring the payment schedule in the earlier years to be met regardless of timing of the exploration work, with the excess payment applied to unpaid principal on the permit purchase note. Nevertheless, the timing feature is important in the present value calculation and should be followed closely, particularly in the event

the operating agreements do not completely resolve this question.

"Rowland stated that the intended exploration program was to spend $5 million a year for about four years. Payment schedule is for three and a half years; however, the half year difference is not significant.

"At the time of sale the Arctic permit interests, KRC and Natural Resources Fund were committed to spend $35,768,000 in exploration costs under the terms of agreements under which certain permit acreage was obtained."

several hundreds of thousands of dollars, isn't that a fact?

A Yes.

Q And some of it represented some mathematical miscalculations, isn't that correct?

A Yes.

Q With respect to the Diamond and Arctic deals, do you recall, Mr. Hubbard, whether they represented the largest transactions between Fund of Funds and King Resources in 1969?

A No, I don't.

Q Do you recall a memorandum that was prepared for the work paper files dealing with the profit and loss of King Resources Company during the year 1969?

A May I see it?

Q I show you AC for identification.

A I am not sure if I have seen this or not.

Q Does it indicate who prepared it, sir?

A Yes.

Q Who was that?

A Jim Hagen.

Q And who was Jim Hagen?

A He was the senior assigned to the King Resources Company work as of December 31, 1969.

Q By the senior, he was an employee of Arthur Andersen?

A Yes.

Q Performing audit work in connection with the Fund of Funds and King Resources audits?

A Yes.

Q Does this memorandum refresh your recollection as to the size of those transactions?

A I can see wehat is here. My own recollection of the size is not too good.

Q In connection with the Arthur Andersen work at this time representatives of Arthur Andersen reviewed the costs that KRC incurred in connection with its acquisition and maintenance of its properties, isn't that correct?

A Yes.

Q And it also reviewed with the company the allocation of indirect costs to the sales of resource interests and other services, isn't that correct?

A My recollection is that there were substantial indirect costs that were not allocated.

Q Isn't it a fact, Mr. Hubbard, that in reports to the SEC and otherwise in the financial community that it is common to allocate those indirect costs on

the basis of sales?

MR. WING: Objection.

THE COURT: Yes. Sustained.

Q Have you seen that method of allocation used on a number of occasions?

A Yes.

Q In addition to the KRC costs, both direct and indirect, was Atrhur Andersen also aware of the price at which natural resource properties were sold to Fund of Funds by King Resources?

A Yes.

Q I assume from your answer that therefore Arthur Andersen was aware that those transactions were very profitable for King Resources.

A Yes.

Q Did the nature of the transactions between King Resources Company and Fund of Funds differ in kind from other transactions that King Resources had with other customers?

A For periods of time I believe they did.

Q In what way, sir?

A For certain periods of time the predominant kind of sale by King Resources Company to Fund of Funds was interests in the resource itself, whereas during

some of these periods of time the predominant type of sale to other parties would be development contracts.

So for a period of time lease sales predominated in transactions with Fund of Funds whereas turn-key drilling arrangements predominated in sales to others. So the nature was different.

Q With respect to the profit margins on the turn-key transactions as opposed to the lease sale transactions, is it not a fact that the lease sale transactions exhibited greater profit margins?

A That's correct.

Q Isn't it a fact that in the oil business lease transactions, sales of the acreage, will generally have higher profit margins than turn-key contracts?

MR. WING: Objection, unless he is an expert in the oil industry.

THE COURT: Do you have general knowledge about that, Mr. Hubbard?

THE WITNESS: Yes.

THE COURT: All right. I will allow it.

A I don't think you could make that generalization.

Q Mr. Hubbard, the question came up, did it

not, at one point, as to whether or not some disclosure should be made as to the relative contribution to income of various kinds of contracts that King Resources had, isn't that correct?

A Yes.

Q Isn't it correct that in 1969 approximately 35 per cent of KRC's sales were to Fund of Funds?

A I don't recall the percdntage.

Q Would that approximate the amount, to your recollection?

A I would have to go back and look.

Q Isn't it a fact, sir, with respect to profits, that the transactions with Fund of Funds represented a greater percentage of King Resources' profits in 1969 than sales? I mean, the sales were at some number, a percentage of total sales was some number, and if you compared that with the percentage of profits to total profits --

THE COURT: Can I ask, isn't this quite outside the scope of the direct? Is it something that you are developing as part of your case, and don't you have your own witness for it?

Please answer that, both questions.

MR. COLODNER: We were hoping that we

wouldn't have to call back these witnesses from Denver.

THE COURT: No, don't hope too much, because it seems to me it is quite outside the scope of the direct. I didn't hear anything about this on direct examination.

MR. COLODNER: There will be --

THE COURT: I thought the government was going to develop this anyhow and it is going to be repetitious. Am I wrong, Mr. Wing?

MR. WING: We are going to develop evidence about the profits made by KRC, as your Honor knows, but we are not going to do it through this witness.

THE COURT: I think I want you to confine your self more closely to the direct, please.

MR. COLODNER: Your Honor, can we discuss this for a moment at the bench?

THE COURT: No, I don't see any reason to discuss it. I want you to proceed.

Q Mr. Hubbard, you referred on your direct testimony to excess work obligations.

Have you seen other transactions in the oil business involving excess work obligations?

A Yes, I have.

Q You also referred to some negotiations

if I may.

Yes, I object, your Honor.

THE COURT: I think I will sustain the objection. You may question about the parts of it that you think are appropriate to question about in light of the cross, but I don't think I will let the whole letter in.

MR. WING: I have no further questions.

THE COURT: All right. Anything else?

All right. Thank you, Mr. Swearingen.

(Witness excused.)

MR. VIZCARRONDO: Your Honor, the Government calls Jene Harper.

I would just like to state for the record that we do not anticipate that Mr. Harper's testimony will relate directly to any of the facts alleged in the indictment. His testimony will be about the so-called Lark transaction, which the Government is offering on the issue of the defendants' knowledge and intent as to the allegations in the indictment.

MR. ARMSTRONG: Again, your Honor, we have moved before to exclude this evidence and we move again on the grounds that it relates to transactions having nothing to do with this matter, which happened long before and outside the period of the statute of limitations, and further,

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that these matters --

THE COURT: Let me invite the members of the jury to take a recess, which may last 15 minutes.

(Jury left courtroom.)

(Recess.)

MR. MALONEY: Your Honor --

THE COURT: Wait just a second.

I appreciate the statement, Mr. Vizcarrondo. It may help us all. I know I have ruled back and forth on a lot of this business, but before I hear defense counsel at further length, refresh my recollection, which at the moment doesn't exist. To what time does that Lark transaction relate?

MR. VIZCARRONDO: December of 1968 was when the transaction took place and the events surrounding the transaction extended into 1970.

THE COURT: Tell me the gist of it.

MR. VIZCARRONDO: In December of 1968 Mr. King asked Mr. Harper, who was president of a company called Franklin Supply Company, an oil equipment supply company that had done business with King for many years in the past, to help him out with a year end problem by buying the assets of three of the Imperial American partnerships.

King assured Mr. Harper that King Resources

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would supply Franklin Supply with the money necessary to make the payments under the purchase contract and that he would hold Franklin Supply harmless against any loss it may suffer as a result of this transaction. In addition, he stated that he would buy back the properties within a year or two.

Over the next day or two, I believe the last two days of 1968, Mr. Boucher and Mr. King negotiated the details and terms of this agreement with Harper and other representatives of Franklin Supply, the eventual deal being consummated between Imperial American and the Lark Oil Company, which was a subsidiary of Franklin Supply.

In the middle of January Mr. King executed an indemnification agreement for the benefit of Mr. Harper and Franklin Supply in which he agreed to provide Franklin Supply with the money for the payments and to hold them harmless against any loss.

THE COURT: And the purpose of this was what?

MR. VIZCARRONDO: The way Imperial American was set up it was much like a mutual fund in that the various partnerships had published cash surrender value at which persons who had investments in the partnerships could redeemed their interests and sell their interests back to Imperial American for this cash surrender value.

The sales of the assets of these first three Imperial American partnerships were made to Lark at a price which was the same price as the cash surrender value for those partnerships that had been published in the fall of 1968. So it was therefore publicized to the directors of Imperial American, it was therefore told to the directors of Imperial American and publicized to the investors and to the public that the assets of this partnership were in fact sold at the price that the company had been publicizing was their market value.

THE COURT: I think I am going to exclude it. You know, we have heard 33 witnesses and we have heard Standard of Indiana and we have heard Fox-Raff, both of which are not directly charged in the indictment but both of which seem to me to come reasonably close to the events and the circumstances that concern us.

This is a whole other ball of wax, a whole other crime, with ramifications that differ from this one. I don't think it is legitimate on intent. If the jury believes the things that are more or less central in your charges I don't think the jury is going to find that they happened through inadvertence or oversight. I don't think it is justifiable as a kind of scheme or mode of proceeding that has general application. It is not all

but let's do that. I sustain the objection.

MR. MALONEY: I was going to object to the statement he made in front of the jury. Based on his offer of proof to you in camera here, outside the presence of the jury, that the Government had no proof, present proof, that Boucher knew about any indemnification from Lark in December, 1968, even on the facts as he rendered them, his statement is prejudicial that he made in front of the jury.

MR. VIZCARRONDO: Your Honor, the evidence that the Government intends to prove would show that Mr. Boucher did have knowledge and was intimately involved in these --

THE COURT: Let me understand what you just said, Mr. Maloney, because you may have persuaded me that I have just been on the verge of making a mistake.

MR. MALONEY: No, your Honor. I don't want you to change your ruling. You have done this before.

THE COURT: I know, but you are supposed to enlighten me. If you think that there is an open question on which the Government has a deficiency of evidence with respect to Mr. Boucher's intent, given the facts, the underlying facts as the Government asserts them, then I think Mr. Vizcarrondo has a point.

Are you now moving for a mistrial?

MR. MALONEY: No, your Honor, I am not.

THE COURT: What are you moving for?

MR. MALONEY: I am objecting.

THE COURT: I know you are objecting, but what do you want me to do?

MR. MALONEY: I withdraw the objection, your Honor.

THE COURT: It doesn't seem a fruitful one.

MR. VIZCARRONDO: Your Honor, Mr. Maloney's point though highlights I believe that the evidence in this case as to Mr. Boucher's intent and Mr. Boucher's knowledge on the transactions alleged in the indictment specifically is somewhat less than the evidence against Mr. King.

This is a transaction in which Mr. Boucher was intimately involved in the negotiations. Mr. Harper will testify that he discussed the terms by which King --

THE COURT: I understand all that, and you may prosecute him for that, or you could have if the statute hadn't run.

But now that we have cleared up that I don't have to do anything about Mr. Maloney's objection, I have given you the reasons for the ruling, and I have exhibited myself the difficulties that make me go back and forth,

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but everything has to end. This is now ended. The ruling is as I have stated.

Now let's take another five minutes.

MR. WING: Your Honor, could I be heard on something relating to your ruling?

THE COURT: Yes.

MR. WING: Mr. Vizcarrondo is the expert on the Lark transaction. I would just like to advise the Court that what I think the defense is going to be in this case, as exhibited in opening statements and cross examination, is very precisely the intent of both these men.

I think Mr. Armstrong said something like there was conversation --

THE COURT: Let me interrupt you, because I don't want to use up your recess and mine.

I don't know where these witnesses come from but I am sure they come from far away and that the trial should really have been held some place else.

How this may l-ok if and when you get to rebuttal I will reserve judgment on. I will not foreclose the possibility after the defense goes in, if and when it goes in, that I may reconsider and again change my mind when we reach the rebuttal stage. But at this stage I am not

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going to allow this.

MR. WING: Would your Honor consider reconsidering at the cross examination stage of the defendants, because I think it would be appropriate at that time, and I think, although we haven't yet heard from Mr. King --

THE COURT: I will always consider reconsidering and frequently reconsider, but you ask me then and let me see what it looks like, and you tell me what you have in mind and I will rule on it.

MR. WING: Could we also have a little longer recess, because the next witness is the man who is going to put the charts in and we need the equipment before we can go forward.

THE COURT: All right.

MR.ARNOFF: Your Honor, we are going to move for the exclusion of that chart on the basis that it is demonstrative evidence which is intended to prejudice the jury, which is confusing, which does go to the issue of trying to distort the markups or the profitability of King Resources, which has been virtually conceded in this trial and will be conceded by the defendants when they testify that this was a profitable enterprise.

I don't think that type of proof will do anything other than highlight in the jury's mind that there were

very significant gross profit percentages with respect to certain select transactions.

THE COURT: Look, we have spent a lot of time on that. I invited you to stipulate. You were unable to stipulate in a way that seemed to me to be fair.

I have ruled in the past that it is relevant on the question of motive. I rule again that it is relevant. I have directed you to consider submitting appropriate instructions to the jury limiting their consideration of this.

When the chart is wheeled in I will look at it and if it is excessively technicolored or otherwise prejudicial -- I have never seen it -- I will think about that. But as to the substance of the matter, we really have exhausted it and we all know where we are at.

Why don't you get it set up and let me know as soon as you are ready.

(Recess.)

(In open court; jury not present.)

THE COURT: May I look at that.

MR. VIZCARRONDO: Your Honor, I can show you a small version of it.

THE COURT: Are you going to distribute smaller versions of it?

MR. VIZCARRONDO: Yes (handing to court).

Would you like to see them?

THE COURT: Just briefly explain it to me.

This witness is going to tell about these things based on evidence in the record, as I understand it, which may be disputed but which supplies a foundation for the government's presentation. Is that a fair or inaccurate statement of the situation.

MR. VIZCARRONDO: That is a fair statement, your Honor.

THE COURT: Is there anything inaccurate about that statement of what's going to happen, Mr. Arnoff?

MR. ARNOFF: I think my co-counsel would like a voir dire.

THE COURT: But I would like somebody

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to answer my question. Is that an inaccurate statement of what you anticipate is going to happen.

MR. COLODNER: I don't anticipate that the source of the charts is going to be in issue but the presentation is certainly going to be in issue.

THE COURT: I understand that.

What is it that you want a voir dire about?

MR. ARNOFF: I thought there was some information that was not incorporated in the chart, your Honor.

THE COURT: Obviously you were mistaken as has sometimes happened even to Mr. Armstrong.

MR. COLODNER: Mr. Arnoff is right, your Honor, that we do feel the classification of the sales here has been a little artificial, particularly with respect to the Colorado Corporation because sales of resource interests and related services from the Colorado group, which is the way the Colorado Corp. and its subsidiaries are defined, referred to in these chart, has been excluded from the charts, about $20 million worth of sales with costs of $13 million have been excluded from the charts, which would have the effect of reducing the profit margin.

THE COURT: Why is that, or how is that?

MR. VIZCARRONDO: Your Honor, these charts and the calculations done by Mr. Dinkwald only reflect the sales of natural resource interests and related services that we were able to identify on the basis of the records of King Resources Corporation, Colorado Corporation, and the Arthur Andersen work papers since that is how the funds were being sold.

In addition, as to the King Resources Company figures, we believe that the evidence has been that by far the major portion of their business, their company's business, was the sale of natural resource interest and related services with a very small amount of revenue from other sources.

MR. COLODNER: Your Honor, it is referred t o on the government summary, "Other sales and costs of resource interests and related services." These are sales of net profit, which were sold to 108 affiliates in 1969 at a sales price of $20 million and with costs associated to that listed here of $13.4 million.

THE COURT: Only a $7 million profit?

MR. COLODNER: That's right. It's

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not on the chart.

THE COURT: Why?

MR. VIZCARRONDO: That was the sale of a net operating profit interest, as I understand it, your Honor, which is the sale of an interest in any profits that some natural resource property may produce in the future. I believe the sales referred to in that line were primarily sales to officers and other employees of IOS that were sold to them for tax benefits, I believe.

MR. WING: In short, your Honor, I think it is a different kind of thing than the --

THE COURT: All right, I understand the rationale of this and I think it is surely debatable and I expect that the defendants will debate it, but I will allow it on the theory that the government has just presented.

MR. ARNOFF: Your Honor, merely for the record we would press our objection with respect to the introduction of the charts insofar as generally and also as they pertain to data or information coming from the Colorado Corporation which Mr. Rowland Boucher has no connection with.

THE COURT: All right. Let's now get

the jury in.

MR. VIZCARRONDO: There is one other chart, your Honor, which we do not have a small copy of which we should perhaps show you.

MR. WING: That just refers to the market price of the stock during the period in question.

THE COURT: All right. Is there any objection to that?

MR. COLODNER: Yes, your Honor. We are not quarreling with the market prices of the stock. The chart can only be introduced to give a misleading impression because first of all, the liquidity of Mr. King's holdings and his ability to sell the stock at the levels the government -- he had 3 million shares, your Honor. There were 16(b) restrictions on his sale, 155 restrictions on his sale, blockage effects on the market, trading aspects, 10b. Five questions.

I think this is grossly misleading. We are not contending the price of the stock was not this but I think to bring in big charts to try to show that, wow, he is really getting rich, rich, rich on paper, creates a misleading impression.

MR. WING: With due respect to all of

the things that qualified his stock, he was getting rich, rich, rich on paper. He did own stock and there is some evidence on the record he sold about 184,000 shares right around December 31, 1969, and the chart is simply designed to show that as the increase in business from Natural Resource Fund came in the price of the stock went up.

THE COURT: You say you have evidence he sold 180,000-odd shares in December, '69?

MR. WING: Yes, and he was filing registration statements to either sell or pledge 500,000 more shares in early January, 1970.

MR. COLODNER: That's not in dispute, but as Mr. Wing knows, the sale of the 184,000 shares, there is evidence an opinion letter was issued, but even if the same was made at that time under the rules of the SEC, at that time he could not have sold any shares within this subsequent six months and there were also interpretations of the staff at that point that would indicate he would have severe problems selling any large amount of shares in brokerage transactions in the following six months.

THE COURT: Was the sale of $180,000 anywhere near the market price?

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MR. COLODNER: I don't know whether in fact the sales were effected but under the rules it could only have been effected under brokerage transactions.

THE COURT: That would have been the market price.

MR. COLODNER: We don't contest that.

THE COURT: You tell me you don't contest that and say they can't put it into evidence. I don't see the prejudicial effects. If you want to dwell on this you may bring out those qualifying and restricting things and you may certainly give me a form of instruction to the jury confining them to a consiederationof these matters for limited purpose of their reception in evidence but I will receive them.

MR. ARNOFF: Your Honor, I would like to point out that the government stops at December 31, 1969 and doesn't include in its chart the nosedive I believe of KRC stock starting in 1970. And as to Mr. Boucher, he acquired a stock option in the first week of January and his stock took a nosedive. So I think this creates a misleading impression with respect to Mr. Boucher's finances.

THE COURT: I would think the best thing

a defense lawyer would want is a misleading impression if it is as easy to correct as you told me. If they stopped their chart there you may put in another one or show how you would tack on another piece.

MR. ARNOFF: Your Honor, respectfully, if the defense had to contend against every inference drawn by the government with respect to the business decisions and activities of the defendants in this case we would be here forever.

THE COURT: And that kind of generality helps me a lot. Don't give me too many of them because I don't need too much help of that kind. Let's stick with our subject, Mr. Arnoff, please.

MR. VIZCARRONDO: Your Honor, there are two other schedules. The first one is a detailed breakdown of the more significant transactions between King Resources Company and the Fund of Funds, and the last several pages of Mr. Dingwall's reconciliation between those figures which he obtained from the ledgers and financial statements of the company.

THE COURT: That's 381?

MR. VIZCARRONDO: That's correct.

THE COURT: Is there any problem or objection that counsel want to call to my attention regarding

that?

MR. ARNOFF: Your Honor, we would object on the grounds that these are only transactions selected by the government of approximately 150 transactions.

MR. VIZCARRONDO: Your Honor, those are all transactions in excess of $100,000. All the smaller transactions are lumped together in a line at the end of the schedule.

THE COURT: You mean when that line is added you have covered all the transactions?

MR. VIZCARRONDO: That's correct, your Honor.

MR. COLODNER: There is a selectivity, your Honor. For example, with respect to the Colorado Corporation chart, on the sales that I talked about before, there is no gross profit filled in or gross profit percentage filled in or ratio of cost. On the KRC -- well, I just point out there is --

THE COURT: We have essentially been over that and I understand the reason for that. Is there anything else?

MR. COLODNER: I would like to state for the record that Mr. Vizcarrondo's statement or Mr. Wing's statement was I believe in error because the

shares were not being registered for sale to the public but were being registered to serve as subordinated indebtedness or collateral --

MR. WING: I think I said pledge.

MR. COLODNER: There were no proceeds that were going to be received.

MR. VIZCARRONDO: Government's Exhibit 38H, your Honor, is a similar schedule for all the transactions, natural resource sales transactions, betweeen Colorado Corporation and Fund of Funds.

THE COURT: All right. We will allow this, and if you like I will give a very limited explanation to the jury now of the nature of this kind of evidence, but I invite you again to give me any more polished explanations you think they should have either in the final instructions or as we go along here.

MR. VIZCARRONDO: Thank you.

(Jury present.)

THE COURT: I just want to say first, while we kept you waiting a long time, counsel have managed I think in the end to save some time in the further presentation of the evidence in this case; and, secondly, you are about to hear some evidence that will

to prevent any further things you find useful and we will consider them.

I A N D I N G W A L L, called as a witness by the government, being first duly sworn, testified as follows:

MR. VIZCARRONDO: Your Honor, before I begin the examination of the witness I would like to put into evidence certain evidence by stipulation of the government and the defendants.

Government's Exhibit 38G is a copy of the daily quotation sheet of the National Quotation Bureau, Incorporated that lists the over-the-counter bid and asked prices for the stock of King Resources Company on December 31, 1969. The government offers that into evidence.

MR. COLODNER: No objection.

(Government's Exhibit 38G was received in evidence.)

MR. VIZCARRONDO: Government's Exhibit 38-I is a notice of annual meeting of stockholders of King Resources Company -- excuse me; I'm skipping one.

First is Government's Exhibit 38H; a notice of annual meeting of King Resources Company dated May 17, 1968. The government is offering it for the

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following information contained therein: That as of May 1, 1968, A. Rowland Boucher owned or beneficially owned 43,500 shares of the common stock of King Resources Company, and that John M. King owned or beneficially owned 1,065,768 shares of the common stock of King Resources Company.

The government offers Exhibit 38-I into evidence, which is a notice of annual meeting of the stockholders of King Resources Company, dated June 9, 1969, for the following information contained in that document: That as of May 9, 1969, A. Rowland Boucher owned or beneficially owned 42,190 shares of the common stock of King Resources Company, and that John M. King owned 1,086,589 shares of the common stock of that company.

MR. COLODNER: Your Honor, my understanding is, only those parts of the exhibits that Mr. Vizcarrondo is referring to are being offered in evidence and not the balance of the exhibits.

THE COURT: Is that right?

MR. VIZCARRONDO: That's acceptable to the government, yes.

THE COURT: If at any time the jury asks to see these exhibits, we will have to tie that in.

(Government's Exhibits 38H and 38-I were received in evidence.)

MR. VIZCARRONDO: Government's Exhibit 38J is a form 8 filed with the Securities and Exchange Commission, filed on June 1, 1970. Between the date of the publication of Government's Exhibit 38J and Government's Exhibit 38I, there was a three-for-one stock split of all of the common stock of King Resources Company in the form of a 200 per cent stock dividend. The following information is contained in Government's Exhibit 38J as to the stockholdings of Boucher and King as of December 31, 1969, which reflected this three-for-one stock split of all the common stock of King Resources Company:

As of December 31, 1969 Rowland Boucher owned or beneficially owned 149,100 shares of the common stock of King Resources Company and John M. King owned or beneficially owned 3,066,569 shares.

MR. COLODNER: Your Honor, I have agreed on that stipulation with the proviso that it is clear that all the stockholders received the same stock dividend so that the shares of all the stockholders who were then stockholders tripled.

MR. VIZCARRONDO: I thought I made that

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clear but if not, we agree with Mr. Colodner's statement.

(Government's Exhibit 38J was received in evidence.)

DIRECT EXAMINATION

BY MR. VINCARRINDO:

Q Mr. Dingwall, how are you employed?

A I am employed as an accountant, Division of Enforcement of the Securities and Exchange Commission.

Q In that capacity were you assigned to this case?

A Yes, I was.

Q I show you Government's Exhibit 27B to and including 27B in evidence, which are the daily financial reports of Investors Overseas Services from January 5, 1970, through August 7, 1970. Have you at my direction performed certain calculations to the assets of the Fund of Funds, as to the shares of Fund of Funds as reflected in those exhibits?

A Yes, I have.

Q Have you determined how many shares of the Fund of Funds were purchased during that period, January 5, 1970 to August 7, 1970 as reflected in that exhibit?

Q I show you Government's Exhibit 38-N and I ask you if that is one of the charts that you prepared from those calculations.

A Yes, it is.

MR. VIZCARRONDO: The Government offers Exhibit 38-N into evidence.

MR. COLODNER: Same objection.

MR. ARNOFF: Same objection. No connection with Mr. Boucher.

(Government's Exhibit 38-N received in evidence.)

MR.VIZCARRONDO: Your Honor, we prepared copies of Exhibit 38-L and I would like to pass them out to the jury so they can follow Mr. Dingwall's testimony.

Q Mr. Dingwall, can you explain what Government's Exhibit 38-L shows?

A Yes. This chart represents a summary of selected lease sales to the Fund of Funds, Ltd. that was made by King Resources Company during the three years, specifically, 1968, 1969 and 1970.

Q First, Mr. Dingwall, what is a lease sale?

A A lease sale is a sale of an interest in a natural resource property.

Q You said that it is a schedule of selected

$105 million, the related costs of those sales of some $62 million, and a $43 million gross profit.

Q Mr. Dingwall, how did the gross profit percentage that KRC realized on sales to entities other than the Fund of Funds in 19.. compare with the gross profit percentage that KRC realized on sales to Fund of Funds?

A Well, if I -- the gross profit percentage from sales to Fund of Funds is some 67 per cent, the second number that appears under my gross profit percentage caption, which compares to a 23 per cent or 24 per cent gross profit on sales to other entities. In the final column you can see that whereas Fund of Funds was charged $3.05 for each dollar of cost incurred other entities were charged $1,31 for each dollar of direct costs incurred.

MR. ARNOFF: Your Honor, I would object on the grounds that it is an inappropriate comparison in that we are not talking about the sales of the same properties at the same time, the same type of properties, we are talking about different properties sold at a different time at different unit prices.

THE COURT: In overruling that objection, which relates to something that the attorneys and I have discussed a fair amount, let me say one further thing to you ladies and gentlemen about this evidence.

We are not centrally interested in the nature of the business done with other people which may have differed or resembled in some respects the nature of the business done by KRC with FOF. The only reason this evidence is being allowed in this record is to support the Government's view on the question of motive.

Motive is not, as lawyers say, an element of an offense, but it may be given as evidence in an effort to prove that somebody committed an offense. What the Government is saying with all this evidence -- we might have hoped it could get before you more briefly -- but what it is saying, if I may state it briefly, subject to being corrected by the Government, is that the business with FOF in these years was very profitable to the King Company or companies and that that, according to the Government, supplies a motive for these revaluations that would make the things being sold by KRC to FOF attractive and desirable to the FOF people, so that this business could continue and continue to be profitable to KRC and allegedly to the defendants.

Now, that is all as it may be. That is what the Government is claiming. I just wanted you to have a sense now of the limited function of this proof in this case.

For example, this is not a case where anybody is claiming that the rate of profit was in itself wrong or unlawful, but simply that it supplied, as I have said to you, a motive for the other things that the Government alleges were being done that were wrong and unlawful.

Does anybody want to correct or supplement that at this time?

MR. COLODNER: No, your Honor, but when we have an opportunity we would like to point out certain things in these charts. I have no exception to what --

THE COURT: Oh, sure.

The defendants, you may assume, don't agree with this. I am just telling you what the Government is claiming and why I am allowing the Government to put this evidence into this record.

With that explanation, you may understand better why I have overruled Mr. Arnoff's objection, but in any event, you will understand how this fits into your concerns in finding the facts in this case.

Now, it is around lunchtime. I don't know if you are in the middle of something. If you are, finish and let's break.

MR. VIZCARRONDO: This is as good a place to break as any.

A No.

Q Mr. Dingwall, did you attempt to identify these indirect costs with particular sales or particular customers?

A No.

Q Why didn't you?

A Well, the records at King Resources Corporation are not maintained in such a fashion that one could do that. I think what you suggest is that all costs at King Resources Company can somehow be identified with a particular sale or customer and that as a practical matter is just not something that could be done, or if it could be done, it is not something that the benefit derived from it would warrant the expense.

Q Is it correct then that to the extent that the costs of doing business with Fund of Funds and the costs of particular sales to Fund of Funds could be identified on the basis of the books and records of King Resources Company you did so?

A Oh, yes.

MR. COLODNER: Objection.

MR. ARNOFF: Objection, your Honor.

THE COURT: On what ground?

MR. COLODNER: He said it wasn't worth the benefit or expense. He said --

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THE COURT: I heard what he said, but what is the ground of the objection.

MR.COLODNER: It could have been done if an effort had been made.

THE COURT: The question is could it be done from King Resources books and records, and I don't think he has answered that, but if he has, let's hear what the answer is. Could it?

THE WITNESS: No, these costs could not have been identified. If you would like me to, I will explain hypothetically the types of things that we are talking about.

Suppose you had a switchboard operator that answered the telephone and her cost is a general administrative type of cost. Virtually what you are asking is somehow we take her salary and allocate it to a particular customer or a particular cost of a sale, which would mean that every time she answered the telephone she would have to somehow identify the time spent talking with a particular customer or placing a call, and it just would be very expensive and perhaps a needless thing to do.

MR. ARNOFF: Objection, your Honor. I don't see how this is in any way relevant to your admonitions with respect to the Government's claim as to motive here.

THE COURT: The objection is overruled.

Q Mr. Dingwall, regardless of whether or not such costs could have been allocated or identified with a particular customer or with a particular sale, did King Resources' books do so?

A No.

Q Therefore were you able -- were you able -- to identify such costs with a particular customer or a particular sale?

A No.

Q Mr. Dingwall, have you prepared any other charts from your calculations?

A Yes, I have.

Q Is Government's Exhibit 38-M one of those charts?

A Yes, it is.

MR. VIZCARRONDO: The Government offers Exhibit 38-M into evidence.

THE COURT: We have been over that and they are to be received.

(Government's Exhibit 38-M received in evidence.)

MR. VIZCARRONDO: Your Honor, we made, again, smaller copies of this exhibit to aid the jury in following the testimony.

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from this activity in the amount of $12,642,000, and that the gross profit derived from sales to Fund of Funds was some $11,840,000, or 93.65 per cent of the total as profit derived from sale of resource interests and related services.

Q Mr. Dingwall, you testified about sales of resource interests and related services.

So far as you were able to determine, did King Resources Company over this three-year period obtain revenue from other sources?

A Certainly.

Q And were you able to determine how much revenue it obtained from those other sources?

A That information is prepared and is included in the financial statements, yes.

Q Can you see what proportion of the total revenue of King Resources Company over this three-year period constituted revenue from the sales of the natural resource interests and related services?

A It certainly was the principal activity of the company and probably contributed some 90 per cent or so of the total revenues for the year.

Q Thank you.

Mr. Dingwall, I show you Government's Exhibit

380 and ask if you can identify that.

A Yes.

This is a simple price chart which shows the market price of King Resources Company common stock on various -- at various times during the two-year period.

MR. VIZCARRONDO: The government offers 380 into evidence.

MR. ARNOFF: Objection, your Honor.

THE COURT: All right. We will allow it.

(Government's Exhibit 380 was received in evidence.)

Q Can you explain what 380 shows?

A Yes.

The graph on the far margin shows the price of King Resources Company stock and, of course, going across we have, on the bottom -- we have time.

Q First, where was that price obtained from?

A The price was obtained from, and it states here on Government's Exhibit 380, the prices that are reflected on the chart for the various quarters were prepared or were obtained from Government's Exhibit 2AA, which is a registration statement which was filed with the Securities and Exchange Commission.

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Q By King Resources Company?

A Yes, that's correct.

Q I believe it says that it [illegible] the low bid price each quarter.

What is meant by that?

A That is the lowest price that the stock traded for during the quarters that are shown?

Q What is the last price there?

A The very last price shows for December 31, 1969 the low bid price on that day and thus the broken line to differentiate from the other prices [illegible] d the graph which would show for various quarters what the price of the low bid price of King Resources Company stock was.

Q Why was that price used for that last entry?

A Largely because these other amounts which appear in this document --

Q There is no entry for the end of the fourth quarter in that document?

A That's correct.

Q Please continue.

A Well, the red line plots various points.

You can see for the first quarter in 1968 the price of King Resources Company stock is -- the

low bid price of the stock was $9.25 during the first quarter of 1968, and that it rose in the second quarter of 1968 to $10.25, the low bid price, and then it rose to $14.17 in the third quarter of 1968.

It further increased to $20.67 in the fourth quarter of 1968. By the first quarter of 1969 it was $25.

For the second quarter of 1969 it dropped to $22.50. It increased to $23 during the third quarter of 1969. And then, finally, the low bid on December 31, 1969 was $27.38.

So in the period that we reflected here, the price of King Resources Company stock ranged from $9.25 low bid to $27.38 low bid.

Q So it approximately tripled over that period, is that correct?

MR. ARNOFF: We are talking about the 1969 period? Isn't that what you're referring to, Mr. Vizcarrondo, as opposed to the sales and revenue charts reflecting 1968, 1969 and 1970?

MR. VIZCARRONDO: We are showing the first quarter of 1968 to the end of 1969.

MR. ARNOFF: Excluding 1970?

MR. VIZCARRONDO: The chart does not include

1970, that is correct.

A Let me just --

Q That is correct, Mr. Dingwall, that the low bid price of the common stock approximately tripled over that period?

A Yes, that's correct.

I just -- I am not sure that I slipped when I said -- I just want to be careful to point out that this is the low bid price or December 31, 1969, and so this represents the range of low bids for this period and we don't know the range of low bids for that period because it was not included in Government's Exhibit 2AA, but that on December 31, 1969 it was $27.38, and that in fact it had practically -- that it had tripled.

Q Thank you.

MR. VIZCARRONDO: No further questions.

CROSS EXAMINATION

BY MR. COLODNER:

Q Mr. Dingwall, you have been talking about gross profit.

What is gross profit?

A It is the difference between gross revenues and the direct costs of those revenues.

A No, I did not.

MR. ARNOFF: No further questions.

MR. VIZCARRONDO: I have a few matters, your Honor.

THE COURT: All right.

REDIRECT EXAMINATION

BY MR. VIZCARRONDO:

Q Mr. Dingwall, you testified on Mr. Colodner's cross examination that there was no gross profit lined on the King Resources Company financial statement, is that correct?

A That is correct.

Q Do you recall reviewing the turnkey ledgers of King Resources Company?

A Yes.

Q Do you recall if there is an entry there that records the difference between the direct costs on a prospect and the revenues from sales?

A Yes, there is.

Q So is it correct that the turnkey ledgers of King Resources Company contain an entry that is equivalent to the calculation that you have done for gross profit?

A Yes.

MR. WING: I have just one.

RECROSS EXAMINATION

By MR. WING:

Q Mr. Fischman, were you asked for or did you give any advice to Mr. Boucher or anybody else about that letter, that June 14th letter?

A No.

MR. WING: No further questions.

MR. MALONEY: I have none, your Honor.

THE COURT: All right. Thank you, Mr. Fischman.

THE WITNESS: May I be excused, your Honor.

THE COURT: Yes.

(Witness excused.)

THE COURT: Let's take a ten-minute recess.

(Recess.)

the price of the original acreage a factor in determining the cost?

A Yes.

Q If KRC buys some acreage and then sells it to Fund of Funds, the original price is a factor in setting the cost, is that right?

A That's right.

Q What are the other factors that go into the cost that is charged in a deal like that?

A Well, there would be many.

Q Could you tell the jury what they are?

A An independent operator necessarily has to find funds in order to drill his wells. If he has expirations of leases that are coming up in the next few months he sometimes has to sell acreage that he otherwise would not want to sell in order to drill this acreage. If he does not he normally keeps the acreage and doesn't sell it, just like the majors. But I have never seen an independent that had enough money to do his own drilling. So he necessarily makes some sales from time to time in order to finance the balance of his development.

The cost that goes into the acreage that he sells not only is the cost that he paid for the

acreage but the cost of his geologists, engineers, the expirations of the leases that he has turned back, the administrative expenses, the cost of paying the rentals, the cost of operation of the corporation itself or the individual himself, and there is no set way to put that cost onto a specific property without being subjective.

Q Am I correct, sir, that in a large land play there is a lot of geologic work, seismic work, and, indeed, drilling, that turns up with no result at all with respect to a particular area.

A That's correct.

Q Assuming, sir, that you do seismic work and geologic work and whatever else there is and then you drill and you get a dry hole, under those circumstances is it usual or -- excuse me -- do you learn from those operations information that is useful in exploring in other areas?

A Sometimes very valuable information.

Q And then if you hit in another area or drill another well in another area are the costs of the dry hole and all the other work that went into the first area attributed to the second effort?

A You mean on the books of the company?

Q Yes.

A No, sir.

Q In other words, the costs are attributed only the actual costs to that particular property?

A That's correct.

Q Even though there may be a lot of other costs that led to finding that particular piece of property?

A That's right.

Q Now, sir, when you have a joint operation with another oil company is it common for you to split your expertise, to share your expertise with respect to --

MR. WING: Objection.

MR. ARMSTRONG: I only got half a question, Judge. Shall I finish it.

THE COURT: You were up to that Arnoff thing. Do you have some other reason for objecting?

MR. ARNOFF: Your Honor, I will withdraw that?

THE COURT: You want to withdraw that?

MR. ARNOFF: Yes, sir.

THE COURT: All right. I will allow it.

Q Do you share your information with the other

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oil company in the exploration?

A You mean if you drill a joint well?

Q Yes.

O Yes. Normally if they have geologic information and we have geologic information both of us take advantage of both pieces of information for the betterment of both companies.

Q If you are selling an undivided interest to another oil company part of what you get out of it is their geologic interest in the joint effort to develop the property, is that correct?

A That's correct.

Q In the sales to Fund of Funds, did they have geological experts of their own?

A I don't know. I don't think so. I didn't meet any of them.

Q If someone doesn't have an extensive geologic department, say, when they buy the acres they have to pay for that expertise, is that correct?

A That's correct.

Q Now, sir, taking companies like Imperial and Royal -- first of all, what are those companies, sir, to your knowledge?

A They were mutual fund companies with the

management company operating either of them or both of them.

Q What was their business?

A Oil exploration and production.

Q Is it a fact, sir, that both of them were primarily interested in drilling wells? Is that right, they wanted to get as quickly as they could into actual drilling?

A That was my understanding.

Q Because the drilling would give them tax benefits whether it was successful or not, is that right?

A That's correct.

Q With respect to Fund of Funds, sir, did they get the benefit of such tax deductions on drilling?

A I don't believe it was as important to them because they were based outside the United States and not subject, as far as I know, to the same regulations as other companies.

Q So far as you know, sir, Fund of Funds, the purpose of their investment was in future potencial in the area, is that right?

MR. WING: I object to Mr. Armstrong testifying. This is his witness.

THE COURT: You have been leading quite

a bit, Mr. Armstrong. I sustain the objection. You should not lead.

MR. ARMSTRONG: Sorry, your Honor.

Q Sir, do you know what the primary interest of a company like Fund of Funds would be in purchasing property for oil exploration.

MR. WING: I object to that question.

THE COURT: Sustained.

Q Sir, I show you Government's Exhibit 2B2. Do you know what that is, sir?

A Yes, sir.

Q What is it?

A It's a turn-key analysis summary by property description as of December 31, 1969, at the final close of King Resources Company.

Q For purposes of the company's books, sir, does that reflect the costs of the company, of those properties?

A Book costs?

Q Yes.

A The company. It doesn't necessarily have to, because it is an open rig tool used by King Resources Company.

Q What is the purpose of that document, sir?

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A The purpose of the analysis that was made originally was to see if the company had received all of the bills for the work that was done up through the end of the year in accordance with the AFE, the authority for expenditure, and if they were properly booked, and if not, so that the company could accrue the items that had not been received from the company as yet.

Q But the actual costs attributable to a particular property would be in the property records, is that right, sir?

A That's right, the book cost.

Q And those records do not necessarily contain all the costs attributable to any particular property?

A Well, they could, but it is not necessary that they do.

Q Sir, you reviewed the financial information and financial statements, indeed, of KRC during the period 1968, 1969, 1970, is that correct?

A Well, '68 and '69 and '70 up through June 30th, yes.

Q And you were familiar, were you not, with the prices and the costs attributable to the transactions between Fund of Funds and KRC.

that question.

THE COURT: Overruled. The question is whether that was actually done by King Resources, not what you say you would do.

A I don't believe so.

Q With respect to the turn-key ledger which may still be in front of you, say, you said that could reflect the cost but it may not necessarily be so, is that correct?

A That's right.

Q Sir, who devised the accounting system which utilized the turn-key ledgers like that exhibit and the other ones?

A This particular program was devised in conjunction with our data processing department and Richard Hill, who was a junior accountant in the accounting department.

Q Did Roger Davis have anything to do with it?

A Yes. Roger was the supervisor of Dick Hill.

Q Do you know of your own knowledge, sir whether there is any particular cost with respect to any property that was sold to the Fund of Funds that

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isn't recorded there but is recorded and allocated to such a property in any other record of King Resources?

A No, sir. I know though that the total of this does not total the total report for the King Resources for that year. That's why I suspect that some of the properties are not included in here.

Q When you say you know it doesn't total the total report, do you know, sir, whether that includes a report of all of the properties sold to the Fund of Funds?

A No, I am not sure of that because this is not a part of King Resources' accounting record as reflected by our audit. They are a supplemental report that helps us make the audit and make the financial statements.

Q Just to get it clear, you have no personal knowledge of whether the turn-key ledger records like that one and the others that the company kept are deficient in any way with respect to the cost of the Fund of Funds property, do you?

A No, sir.

Q Do you know, sir, as the ex-vice president of financial affairs for King Resources that the Fund of Funds was an extremely profitable customer for

King Resources during the years '68, '69 and '70?

A If you mean did we do a lot of business with them, yes, sir.

Q Did you make a lot of money on that business?

A Yes, sir.

Q You testified about a conversation with Mr. Boucher, Mr. Reidy and Mr. Booth, with respect to the Consolidated contract. What was the date of that particular conversation?

A I don't know.

Q What is your best estimate of when it was?

A Around Christmastime, I believe.

Q And at that time, as best you can tell, had the agreement been made to the extent that there would be a purchase by Consolidated of certain acreage at a particular price?

A I don't know.

Q Was there any discussion about the price of the acreage or the amount of the acreage at that particular conference where you were present?

A There could have been but I don't remember it as such. My involvement in it was the operation and exploration end of it.

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program was over, we were burdened with 50 per cent of the cost and they were burdened with 50 per cent of the cost.

Q And the initial meeting of the minds on this Alberta Sinclair deal was based on the knowledge and expertise your company supplied to Sinclair Oil?

A That's correct, yes. And that format involved as the years passed, as the company became -- what I'm trying to say is, had greater exploration funds available to it, it did geology and acquired its own acreate and then proceeded to vend those prospects.

Q Did there come a time in or around 1968 or before when King Resources became interested in the Arctic?

A Yes. We had been interested in the Arctic actually for some time through the experience of two people that we had, the primary one being a man named James Tocher, who had been hired into the company in 1962, and Jim had watched the Arctic for a full year, actually when he had been with Imperial Oil Company, which is the Standard Oil Company of New Jersey, subsidiary in Canada, and had watched the Arctic with a great deal of interest for many, many years. And we had always anticipated going into the Arctic at such

time as we felt the logistics made sense.

Q What do you mean by --

A You had a normal transportation problem in the mid-'60s. How do you get men and equipment up there? The questions of winter operations: was there really ice up there so the whole thing was frozen over as to be impassable nine months of the year? And those types of questions.

As a result of those questions, what really were the costs? If you found significant hydrocarbons, were they economic?

Q Before taking any position in the Arctic did King Resources determine that there was a potential in the Arctic?

A Yes, the potential actually had been well known. The tar sands in the Arctic or oil fields had been eroded so they are now exposed to the surface that are estimated to have an excess of 50 million barrels in reserve, not uncommon there at all.

Q Did you or King Resources send any exploratory parties up there?

A We had some people. Jim hired a Mr. Neil McKenzie in late '67 or early '68 to replace himself as vice president of the Canadian operation. Mr.

Tocher had been transferred to Denver to head up the international company and McKenzie had spent a lot of time on the ground up there in his past association, and we had accumulated the surface geologic data.

Q Which consisted of what?

A It really consisted of an evaluation of what the surface rocks are, a determination of the age of those surface rocks, a distribution of those surface rocks, and how they had been configured, how they had been folded to result in a current surface framework.

secret weapons which he had, one of which was the ability of salesmen.

Q In any event, do you remember in subsequent conversations with Mr. King or having any subsequent conversations where you said, "What do you mean by the secret weapon in this telegram"?

A No, sir, we had no conversations about the telegram.

Q You said that Mr. King spoke to you in this conversation about the potential, the great potential that he saw for the Arctic. Do you recall the specifics that he discussed with you at that time which led him to have this feeling that there was great potential in the Arctic?

A Would you please define specifics?

Q Anything that he said that you recall.

A Yes, Mr. King would always speak about the coming shortage of oil and gas, not only in the United States but in the world as well, and that the United States was rapidly running out of oil reserves and running out of gas reserves, and as the world ran out of oil and gas reserves then obviously these properties would become more valuable if they had oil and gas.

Q When you say the coming shortage of oil, this was now in 1970?

A Yes, sir.

Q When was he saying that the United States would be running out of oil?

A He was talking in a ten-year time period or even sooner.

Q Within ten years or sooner from 1970 there was going to be an oil shortage?

A Yes, sir.

MR. ARMSTRONG: I have no further questions.

CROSS EXAMINATION

BY MR. MALONEY:

Q Mr. Rinfret, in or about the summer of 1970 do you recall talking to Rowland Boucher on the phone about selling a percentage of Fund of Funds' interest in the Arctic to BP?

A Yes, sir.

Q And you came to Denver to further that discussion, did you not, in the summer of 1970?

A Well, further to that and other things, sir.

Q Do you recall what the price was that they were talking about in selling to BP an interest of Fund of Funds and KRC?

A No, sir.

Q Was it in the neighborhood of $50 or more?

structures and done considerable exploratory work, is that right?

A Yes.

Q When Mr. Trueblood of Consolidated Oil & Gas decided to take an interest can you tell us how much of an investment, just for exploratory work, King Resources had already accumulated by that time?

A Around --

MR. WING: By what time?

Q By December of 1969.

A Around 2 million 9.

Q So in effect Consolidated Oil & Gas or anybody else taking an interest would already have the advantage of $2 million worth of exploratory work, is that correct?

A Well, that is correct. But in addition, having the advantage of it, of course, they were acquiring the basic data as a condition of their agreement.

Q Did you say 2 million or 2 million 9?

A 2 million 9, I said.

Q 2,900,000?

A Yes.

Q Do you know what the term highgrading means, Mr. Boucher?

A Yes. That was the procedure we were using in

Q That's why a particular exhibit in this case has an address from Farmer's & Merchants National Bank, is that right?

A Yes.

Q During the negotiation with Trueblood of Consolidated did you guarantee financing to anybody?

A No.

Q As far as you know, did they need financing assistance from you?

A Not to my knowledge.

Q Do you recall during the course of those negotiations on the Arctic inlands whether Bristol Bay ever came up?

A I don't specifically recall it did, but it could have.

Q And a couple of months later in February or thereabouts, 1970, did you have any conversations with Mr. Booth about Bristol Bay?

A Yes, I did.

Q What can you remember about those negotiations?

A Booth talked to me on the telephone and then we got together and looked at a bit of the data that he had, and that was about it. He told me what he wanted for the acreage, and I asked Mr. Cooper to

25 February 1970, and is that your signature on it?

A Yes.

Q Was that signed on February 25, 1970?

A No.

Q Why do you say that?

A Because the agreement itself is conditional upon the receipt of the fund, and Mr. Cooper has testified that he went over to see Booth on the 2nd of March, so I couldn't have signed it then.

Q What date is the receipt of the fund, if you can refer to BF in evidence, and BE in evidence?

A The check is under date of March the 9th, 1970. This is the same day.

Q Based on those documents would you say that this particular contract was signed in or about March 9, 1970?

MR. WING: I object to the form of the question.

THE COURT: Sustained.

Q Mr. Boucher, did this Bristol Bay business have anything to do with Harry Trueblood or Consolidated Oil & Gas purchasing an interest in the Arctic in December of '69, so far as you know?

A No.

A Yes.

Q Can you be more specific?

A Well, I think it was beyond question that he was worth in excess of a quarter of a million dollars.

MR. MALONEY: May I have the indictment in this case.

Q Mr. Boucher, I am going to read, with the Court's permission, paragraph 21 of the indictment.

"It was further a part of said scheme to defraud that in order to induce John Mecom to sign the aforementioned Arctic contract the Defendants John M King and A. Rowland Boucher would and did arrange to secretly guarantee that John M. King would provde Mecom with sufficient net cash receipts to enable Mecom to make the contract payments through October 1971 and further guaranteed that in November 1971 John M. King would assume and pay all of Mecom's obligations under the contract if requested to do so."

Did you know in December 1969 or January 1970, February or April or May 1970, at the time you signed those rep letters, of any secret guarantees to Mr. Mecom?

A No.

Q Paragraph 22:

"It was further a part of said scheme to defraud

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that the Defendants John M. King and A. Rowland Boucher would and did cause Royal Resources Corporation, a corporation controlled by John M. King, to pay Mecom $275,000 in January 1970 which Mecom needed and did in fact use to pay the $260,912 down payment required under the Arctic contract."

Did you know of any down payment arrangements made through Royal Resources at the time, in January of 1970?

A No.

Q Is there an expression in the oil industry of what is known as a drill for earn?

A Yes.

Q Or drill to earn?

A Yes, there is.

Q What does that mean in the industry?

A It simply means that a drilling contractor provides services, provides a drilling contract, at a discount below market value to earn a position in the equity, or to state that another way, to earn a position in the acreage. It is done over and over and over again.

Q Did King Resources enter into such contracts?

A Many times.

Q Let me read you from Mr. Mecom's testimony

about $10 million worth of drilling and let's further assume that the contractor is willing to discount his return on the drilling contract by 20 per cent and apply it to an acreage acquisition position.

So he has invested, essentially, then, $2 million in the acreage.

Q You mean $10 million less $2 million?

A That's exactly correct.

Q The $2 million being his profit?

A Which he has reinvested to earn an equity interest in the acreage on which he is drilling.

Q So do you now know or did you know then any reason for a side deal with John Mecom?

A No.

Q Would such a drill to earn clause in the contract necessitate a down payment?

A No.

Q That could have been avoided as well?

A Absolutely.

Q Did you ever have any conversations with Mr. Hulsey before he went down to see Mr. Mecom about any side deals in connection with this contract?

A No.

Q Did you ever have any conversations with Mr.

King about any side deals in connection with this contract?

A No.

Q Did you ever have any conversations with John Mecom about any side deals in connection with this contract?

A No.

Q Or Mr. Marriott?

A No.

Q There was testimony here I believe at some point that Mr. Hulsey said that he believed that your secretary took the Mecom contract out of his desk at the end of 1969. Do you recall that testimony?

A Yes, I do.

Q Did you instruct anyone, your secretary or anyone else, to take the Mecom contract out of Hulsey's desk?

A No. And I further am of the belief if I had instructed Mrs. Wilson to take anything out of anybody's desk she would have resigned on the spot.

Q Mr. Hulsey also testified, I believe, that he thought you were out of the country when he found the contract missing.

MR. WING: Objection. That was not the testimony.

THE COURT: Why don't you just ask questions.

Q Mr. Boucher, were you out of the country in December of 1969 or January of 1970?

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A Oh, no, no.

MR. WING: I have no objection.

(Defendant's Exhibit BH received in evidence.)

MR. MALONEY: Let the record reflect that Defendant's Exhibit BH in evidence consists of records in the dining room for December 1969 and January '70 as well as April and May.

BY MR. MALONEY:

Q What did 150 next to the particular dates mean?

A That is $1.50 that we were charged for lunch.

Q Is it fair to say that Exhibit BH in evidence has you on a regular basis in December '69 and January '70 at the dining room in Denver?

A Yes, sir.

Q There came a time in January 1970, did there not, when you were interviewed by members of Arthur Andersen, a Mr. Hubbard, concerning the signing of rep letters about these sales? Do you recall that testimony?

A Yes, I recall their testimony. I don't recall those meetings.

Q Defendant's Exhibit AB in evidence purports to be a memorandum of Mr. Hubbard of an interview with you and Mr. Lowry on January 20, 1970, and it reflects that

at that meeting certain representations of the legal position of the purchasers, namely, there is no unilateral way for them to reduce or avoid their expenditure of $11,741,000 in exploration money -- these representations were made by one or the other of you to Mr. Hubbard.

Do you recall that particular conversation with Mr. Hubbard at all?

A I don't, Mr. Maloney.

Q Do you deny that it occurred?

A No, no, not at all.

Q What was Mr. Lowry in January 1970?

A He was the leading counsel in the firm.

Q Had you on that occasion and other occasions relied on his legal opinions?

A Oh, yes, many times. And his firm's opinion.

Q Mr. Boucher, I show you Government's Exhibit 20-U in evidence, which purports to be a rep letter signed January 23, 1970, concerning itself with the arm's length bona fide nature of the sales to the four purchasers of the Arctic properties in December '69. Did you sign that document?

A Yes, sir.

Q At the time that you signed that document did you know about any side deals, verbal or written?

A No.

Q Before signing that document did you have a conversation with Mr. Hubbard of Arthur Andersen the day before?

A Not that I recall.

Q Government's Exhibit 22 in evidence purports to be a memorandum by Mr. Hubbard of a conversation with you concerning a rep letter in or about January 23, 1970, and he says in his memorandum, referring to Mr. Boucher, "Explained that his reluctance to sign off on that portion of the representation letter was his concern that by so doing he would be restricting the company or Mr. King from future dealings with Mecom."

Do you recall any such conversation with Mr. Hubbard, first of all?

A No, I don't, but neither do I refute what he has to say there in any way.

Q Do you know of any portion --

A I don't know what he is referring to specifically.

Q You are looking at Government's Exhibit 20-U in evidence, January 23, 1970. Is that broken into portions in any way, as you can determine?

A No.

Q Do you know whether there was a prior rep letter,

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MR. WING: I have no objection.

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(Defendant's Exhibit BN received in evidence.)

MR. MALONEY: Let the record reflect Exhibit BN in evidence is a memorandum from Mr. McCleod to Mr. Boucher dated March 1970. Summing it up, it sets forth the outcome of the bids in the Arctic to a Mr. Parker and the basis for that. I will just read from the bottom part of it.

(Mr. Maloney read from Defendant's Exhibit BN in evidence to the jury.)

Q Did there come a time in May 1970 when you were asked to sign another rep letter concerning these sales?

A Yes.

Q Prior to that, referring to Exhibit GG in evidence, had Mr. Lowry instructed a Mr. Fischman to sign a rep letter concerning these sales?

A Yes.

Q Showing you Exhibit 20-II in evidence, is that the rep letter I have just referred to, dated May 27, 1970, concerning representations about the bona fides of the sales of the Arctic leases?

A Yes, it is.

Q Is that your signature?

A Yes, it is.

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Q Prior to signing that did you have occasion to discuss that with Mr. Fischman?

A I don't specifically recall.

Q I show you Exhibit BK for identification and I ask you can you identify that particular exhibit.

A Yes, it is a copy of the rep letter with some notations by Mr. Fischman that --

Q Don't tell me what it says. Did he send that to you?

A I had a copy of it, yes.

MR. MALONEY: I would offer BK for identification in evidence.

One more question, if I might.

Q Do you know where that particular exhibit came from, BK, do you know where that was obtained?

A From Mr. Wing's files.

Q The Government's files?

A Yes.

Q Which contained your records, is that correct?

A That is correct, yes. My files were over at his office.

Q When did you obtain that?

A Saturday morning.

Q This last Saturday?

A Yes.

MR.WING: May I inquire, your Honor?

VOIR DIRE EXAMINATION

BY MR. WING:

Q Mr. Boucher, as you know, we have files from many different people in connection with this case. Can you tell us what particular file this came from?

A I can't, Mr. Wing. It was in that pile of stuff that you gave Mr. Arnoff and I that said, "Boucher's files."

Q It came out of something that said, "Boucher's files"?

A That big orange thing, yes.

Q Do you have any recollection of receiving this document?

A No, no.

MR. WING: I have no objection to the document, your Honor. I would object to the notations on it, at least if they are offered for their truth.

MR. MALONEY: The purpose for the offer is because of the handwriting on it, which the witness has identified as Mr. Fischman's, who is the defacto counsel of King Resources at the time, and he has made inked notations on the draft of the rep letter that is in evidence, your Honor.

Q What kind of markups were there on the sale of such knowledge?

MR. WING: Objection unless we have specifics.

Q Did you sell any geological knowledge in 1969?

A Just outright?

Q Let me ask this question: Is knowledge acquired through geological and geophysical tests salable in the oil industry?

A Sure.

Q Is it sold from time to time?

A Sure. That's what we did in the first study that I mentioned earlier this morning with Sinclair Oil & Gas Company in that project in southern Alberta.

Q And if you had incurred costs in connection with making that study in 1968 -- I withdraw the question.

With respect to studies that King Resources Company was making prior to the acquisition of properties, how were those studies reflected, the cost of those studies reflected, on the books of King Resources Company?

A They are reflected at cost and that overhead number was ground into an inventory account and titled the "Properties held for resale or redevelopment."

Q If you were looking for profits earned by the company in 1968, would the sales prices charged your customers have been reduced by these companies?

A You better run that by me again.

Q How were the costs reflected? Did they affect your profits or loss for a particular year?

A Sure.

Q When?

A Well, let's try to be specific. We did a study in the Denver basin in 1964, '65. The Denver basin study resulted in a delineation of 100 specific geologic prospects that we considered drillable. In the year 1966 we sold 10 of those, 10 per cent of the cost of the study would be taken out of that account and charged to those prospects.

Q Even though you had expended by that time 100 per cent of that cos?t

A Yes, sure. They were amortized in that fashion.

Q What happened to the other 90 per cent of your accounts?

Q Did he know that you were involved in it?

A I don't think I understand that question.

Q Weren't you involved in the Arctic sales in December, 1969 to John Mecom, Consolidated --

Q Did Bill know that at that time?

Q Yes.

A I would think yes.

Q Didn't he ask you about that?

A I don't think so.

Q He didn't ask you anything about how this could have happened without your knowing it?

A No, I don't believe so.

Q What did he say to you?

A We talked about it and he said to me that this was a very serious matter and he felt that I should call Lowry immediately, which is what I did.

Q You called Lowry and you say you couldn't reach him right away?

A I think it was the second day when I spoke to him.

Q What did you say to Mr. Lowry, Mr. Boucher?

A I told him that Frederickson had some papers that indicated that there was a guarantee or takeout

on the Mecom situation, and I was very concerned about it. I further told him there was a letter from Marriott, and he told me that Marriott didn't understand the transaction.

I said to him, "Is there anything for me to be concerned about, or to do about this?" and he said, "There is nothing for you to be concerned about."

Q And that was it?

A That was it.

Q You are absolutely sure that was it, there was nothing else?

A That is without question the best memory I have of the circumstances.

Q Did you tell him, sir, that the letter from Marriott to Frederickson said that there was a further agreement outside of the written document to the effect that the initial $260,912.05 consideration plus some further considerations to Mr. Mecom would be advanced by King Resources Company? Did you tell him that Marriott's letter said that?

A I don't think so, Mr. Wing.

Q Did you tell him that the side agreement further provided that King Resources would furnish to Mr. Mecom funds for making payment of the other considera-

tions called for by the contract? Did you tell him that Marriott's letter said that?

A I don't think I did. I didn't read him the letter.

Q Did you tell him that Marriott in his letter said that it was expressed that Mr. Mecom was not to have any obligation or liabilities to pay any amount under the contract except that which was advanced by King Resources Company? Did you tell him that?

A No.

Q Did you know anything about that, Mr. Boucher?

A I just don't have a recollection of what I did in terms of those documents at that time?

Q Did you tell him that Marriott said that back in December of 1969, when Mecom signed the contract, there was considerable discussion regarding a plan to advance these funds through the use of Mr. Mecom's rigs on the drilling operations in Louisiana and in the Canadian Arctic area, allowing a sufficient net profit to coverthe payments called for on Mr. Mecom's part by the written agreement? Did you tell him anything about that?

A No, sir.

Q Did you tell him that Marriott in his letter said that shortly after the December 24th meeting he had telephone conversations with Mr. Hulsey relative to the initial payment called for by the contract, and pursuant to Hulsey's instructions Marriott picked up a check from the office in the amount of $275,000 which was used for the initial payment? Did you tell him that?

A No, sir.

Q Did you know anything about that?

A As I said a few moments ago, I believed then and believe today that I read the documents when he came to my office.

Q In Marriott's letter it says that a copy of the check is enclosed. Are you sure that isn't one of the documents you saw?

A I'm quite sure.

Q Did you tell Mr. Lowry that Marriott's letter said that "In a telephone conversation with Hulsey we also discussed the side letter agreement, and he told me that it would be handled by Mr. Lowry of Chicago. Subsequently on call from Mr. Lowry we discussed it by telephone. A few days later I received a shorthand written memorandum from Mr. Lowry to which

there was attached a letter dated as of December 24th, which I was advised by telephone had been signed by Mr. King for King Resources Company."

Did you tell him Marriott put that in his letter?

A No, sir.

Q Did you ask him, Mr. Boucher how did Marriott get a hold of a letter from Lowry?

A Did I ask him?

Q Yes.

A No, I don't believe so.

Q You recognized Lowry's letter on the note that Marriott had sent, didn't you?

A Would I have or did I?

Q Did you?

A I just don't remember.

Q Is there any doubt, Mr. Boucher, that that is Tim Lowry's handwriting?

A No, sir, there isn't.

Q You recognize it, don't you?

A Yes, sir.

Q It is very distinctive?

A I recognize it.

Q Did you ask Lowry when you called him, "How

Q Let me show you Government's Exhibit 8B for identification and ask if you can identify that.

A It appears to be or it is a copy of a Telex from Mr. McKenzie of our Calgary office to me.

Q What position did McKenzie have?

A He was the vice president. He ran the office.

Q Did you receive the Telex?

A I'm sure I did.

Q Did you approve McKenzie sending out the letter referred to in the Telex?

A I don't know. Did the letter go out?

Q Do you have any recollection? I show you Government's 48C. Is that a copy of the letter?

A That appears to be a duplicate of the Telex. It is signed by McKenzie and copied to me.

Q Did you receive the copy?

A Oh, I'm sure.

MR. WING: The government offers 48B and 48C in evidence.

MR. MALONEY: No objection.

(Government's Exhibits 48B and 48C were received in evidence.)

Q Mr. Boucher, without reading through the let-

ter, will you tell me is the offer that is contained in the letter an offer to sell a portion of the Arctic acreage owned by King Resources at a price which amounts to less than $5 an acre?

A This will take a couple of minutes, Mr. Wing. He says 50 per cent of the acreage in the brochure at a date certain and 20 per cent of the farming acres.

Q The acreage in the brochure plus the farming acreage was all the acreage, is that right?

A But you have to keep them separate in order to make a determination of how many acres are being conveyed. You must take into consideration the terms of the farms.

Q The way the offer is structured the purchaser gets a greater interest of the farming acreage than the other acreage?

A Fifty per cent versus 20 per cent.

Q That in your opinion at that time was the superior acreage, was it not?

A Say that again, please.

Q That farming acreage at that time, in your opinion was the more superior acreage?

A No, not at all. It happened to be the

acreage on which specific prospects had been delineated. It had nothing to do with its superiority or inferiority.

Q Did you think it was worth more, you, Rowland Boucher?

A What was worth more?

Q The farming acreage.

A It's an impossible question to answer. You had six specific geologic propspects that had been delineated on farmed in acreage. If you want to put a value on those, we put one on there at August, 1970, whenever it was, at $63 an acre.

Q What is the date of the letter?

A September 29, 1969.

Q As of that date did you think that that property was more valuable than your other acreage in the Arctic?

A I had no feeling for it one way or the other.

Q So it didn't matter to you whether you gave the purchaser a bigger percentage or something else?

A A bigger percent of that or something else?

Q Let's use your map just for a minute.

Mr. Boucher, did you consider that this acreage out here was of greater or lesser value than the acreage referred to as the farming acreage in that letter?

hpa4 Boucher-cross

A The logistics are tougher out there.

Q That's all I'm asking.

A Excuse me.

Q Did you think the farming acreage was of greater or lesser value than the other acreage?

A Now you got me back in grouble again. You pointed to a block out there where the logistics are terrible. But I don't know whether this farming stuff is of lesser or greater value -- put your hand over the middle of the map -- right. That's my point.

Q Is Graham Island in the farming acreage?

A Yes.

Q Could you very quickly work out just to tell us whether or not that offer which isn't in the dollar-per-acre offer comes to less than $5 an acre?

A We can if somebody will help me. It's a matter of how many acres were in these two transactions. We have got the Pan Arctic farm-out. We have to know what the gross acres are and the net acres.

Q I am showing you 48D for identification. Is this the document which you received which relates to the amount of acreage that you had at or about that time?

hpa5 Boucher-cross

A Yes, okay. Now we come to something.

MR.WING: The government offers it in evidence.

MR. MALONEY: No objection.

MR. COLODNER: No objection.

(Government's Exhibit 49D was received in evidence.)

A So this says in effect that he is buying 1,054,301 farmed in acres net. That equals his 50 per cent.

MR. WING: Your Honor, may we take a 10-minute recess.

THE COURT: We may stop for the day here. Are you approaching a conclusion of your cross?

MR. WING: No.

THE COURT: He has been on the stand since 2:15. Would it help if we went to 5? I suppose it would help us get a half hour towards finish. What is the preference?

MR. MALONEY: How much more time does Mr. Wing think he has on cross?

MR. WING: It would go past 5 o'clock.

THE COURT: Since everybody is being so indecisive --

hpa6 Boucher-cross

JUROR NO.4: I make a motion to stay to cut down the time.

THE COURT: Let's take a recess.

(Recess.)

(Jury present.)

MR. WING: May I proceed?

THE COURT: Yes.

BY MR. WING:

Q Mr. Boucher, have you been able to calculate out the per-acre price of that particular offer?

A I'm close, Mr. Wing.

Q By "close" you mean you have a few more calculations?

A I'm within the range of the best I can do.

Q Is it under $5 an acre?

A No.

Q What is it?

A The initial transaction was 4 million cash and 18 million in the farming acreage, which interest earned translates itself to -- excuse me; the net acreage interest earned translates itself to 1.054 million acres. That's off the document you gave me, unless I made an error.

Q Give me a rough figure.

hpa7 Boucher-cross

A 2.108 million was the net acres in the farming, and they were going to --

Q What's your rough figure per acre?

A $7.50, about.

Q Have you mqde any discounts?

A No, I haven't.

Q Perhaps we will leave that, at least for the time being, and pass on to something else.

Did you tell McKenzie, who was the man who sent out that offer, to withdraw that offer on December 23, 1969?

A I don't know.

Q At or about December 23, 1969, were you aware that there was an impending sale to Consolidated Oil & Gas and Mecom at, shall we say, a substantially higher price?

MR. MALONEY: Objection, your Honor, I don't think there is any evidence as to a substantially higher price from what I heard so far.

THE COURT: I don't know what price you have heard here. We haven't worked it out. But since there has been other evidence about this other business, why don't you just ask whether he was aware of the other sale, the answer is yes and then let's go.

hpa8 Boucher-cross

Q Did you have McKenzie withdraw those offers because of the sale to Consolidated and Mecom?

A I don't recall that I did.

Q I show you Government's Exhibit 48E for identification. Can you identify that?

A Yes, it's a letter to the same people.

Q Does it relate to the same offer?

A It certainly appears to, yes.

MR. WING: The government offers 48E into evidence.

MR. MALONEY: I have no objection.

(Government's Exhibit 48E was received in evidence.)

Q Mr. Boucher, can you just tell me, is that letter, from McKenzie to the same prospective purchaser, dated December 23, 1969 in effect withdrawing the offer?

A Yes.

Q Mr. Boucher, when did you first talk with Cowett about arranging a sale of a portion of the Fund of Funds properties in the Arctic?

A Some time in the summer, I guess, of 1969.

Q Was this a telephone conversation?

A I don't remember, Mr. Wing. I talked to

him on the phone; I think I saw him personally a couple of times through that period.

Q Can you tell us as best you recall what the conversation was?

A Well, what I'm specifically relating it to is that Midwest thing.

Q Whatever it related to, can you tell us what the conversation was?

A It was just in reference to the sale of his position up there as a part of that Midwest acquisition, and he wanted 7.50 in cash and 7.50 in work for half of his interest.

Q Was there any conversation between Mr. Cowett and you in which he solicited your advice or opinion as to what it should be sold for?

A Oh, I kind of think no, not on a specific basis, but I kind of thing that was something that evolved with the passage of months.

Q Can you explain in a little more detail what you mean by that?

A As you have said earlier, I had been communicating with him on what was going on up there, values of various transactions, and that seemed to be about where it was.

Q Did you give Cowett any suggestion or did he solicit any suggestion from you as to what price he might be able to sell that acreage at?

A Nothing beyond what I have described. I gained the impression -- and stop me if you don't want me to say this -- I gained the impression reading his testimony before the grand jury he was doing a few things on his own in the spring of 1969.

Q I guess you can imagine that I don't want you to say that, Mr. Boucher.

A All right.

Q I would just like you to tell us about your conversation with Mr. Cowett when he and you were talking about the sale of this acreage.

A All I'm trying to do is image for you the fact that I didn't sit down with him in a room with a pile of papers in front of me and he with a pile of papers in front of him and ultimately say, "This acreage ought to go for $15 an acre on the following terms and conditions." It was not that kind of an attempt to determine that.

Q Who first raised the $15 figure?

A As I said, I don't know that. I don't know that.

hpall Boucher-cross

Q In June you had sent him a letter saying that you thought the acreage was worth $5 an acre. How did it work its way up to 15 in the later summer?

A Well, a lot of things happened, of course.

Q I know, but in your conversations with Cowett how did it work its way up to 15?

A I continued to transmit whatever published data there were and we discussed that. Then you had all of the excitement associated with that tanker going up there, through the McClure Straits, the Northwest Passage, and then of course, the advent and final conclysion of the Alaska sale made a difference. These things that we just discussed a few moments ago, the McKenzie Delta, they were factors.

Q Was it Cowett who said to you, "I want to sell at $15 an acre or was it you who said to him, that's a price you can get"?

A I can't answer that as directly as you would like me to.

Q Can you answer it anyway?

A I think I have tried to. The price of the acreage kind of evolved.

Q Did you tell him when that price of $15 an

hpal2 Boucher-cross

acre had evolved, that you thought that would be a price they could get?

A Did I think ht was a price they could get?

Q Yes.

A Yes, I did.

Q Did you tell him he ought to charge more?

A You are speaking of me now?

Q Yes, of you.

A I didn't think he should sell any of it?

Q But in view of the fact that he said he wanted to sell some, did you tell him he should charge more?

A I don't remember that.

Q Did you tell him that you thought the price was maybe a little too high?

A No, I don't think we had that kind of a conversation.

Q Cowett did tell you that the reason he wanted to sell was because he thought the fund should revalue the area if, in fact, it was worth more, is that right?

A Yes. His attempt was to get at the value of the position for those purposes.

Q And were you familiar with the fact that

A 1301 T

as a mutual fund they were supposed to carry their assets at a market value as opposed to at cost the way your company did?

A Yes.

Q And that it was important for them to carry it at an accurate market value?

A Yes, as close as they could get to it.

Q Did Cowett tell you in effect that's why he wants a sale, to set a market value?

A When you say did he tell you that, I have images of our sitting down and his saying to me, "This is what I've got to do that." That isn't the way it was.

Q Was there any conversation along those lines?

A Yes, I think, right. All I am really truing to say to you is that my understanding didn't come to me at one setting on a particular day.

Q I understand.

Did your understanding over the period of time cover different prices? In other words, were you initially talking about one price and did the price change?

A I would have to say yes to that. The values were changing all the time.

hpal4 Boucher-cross

Q When do you think you reached or evolved into the $15-an-acre price?

A That I don't know.

Q Did you tell Mr. Cowett in any of the conversations about the price that your head man up in the Calgary office was offering the same property , or an interest in the same property, at a price well below $15 an acre?

A No.

MR. MALONEY: Objection, your Honor. I don't think the testimony is that clear.

THE COURT: Let me here the question, please.

(Questionread.)

THE COURT: I will allow it. You may answer.

A No, I don't have any recollection of that at all.

Q When was it that you first made any effort to sell this interest to anybody for $15 an acre?

A We are excluding now the Midwest circumstances, are we?

Q I wasn't, but you can if you want. Is Midwest the first one?

have in this record, would be deemed reversible error.

So let me repeat, Mr. Vizcarrondo and Mr. Wing: I will before this goes to the jury request that you have copies of this indictment Xeroxed for the convenience of the jury and all of us, because I am not really delerious over the proposal in all of the requests to charge that I read this thing at them. I would rather not spend half a day reading the indictment at them. If they have it in front of them I think I can be spared that much elocution during the instructions.

MR. WING: We will do that.

THE COURT: Get about 20. Once you get the Xerox running we can all have copies.

And I will ask defense counsel to make sure that there are no typographicalmistakes in that duplication.

Are we ready to proceed?

MR. WING: Your Honor, I have one application. In view of Mr. Boucher's testimony yesterday to the effect that he had no knowledge of the Mecom side deals and to the effect that he first learned of them only when he got Mr. Marriott's letter, and at that time, on the advice of Mr. Lowry, didn't worry about them, and further

in view of the requests submitted by Mr. Boucher's counsel that advice of counsel is going to be a defense inthis case, the government submits that we should be entitled to go into the fraudulent Lark transaction, which is virtually identical to the Mecom buy-back guarantee, occurring one year earlier, occurring for basically the same purpose, to impose an inflated value on the drilling funds surrender value so that they could successfully sell more properties to those drilling funds which would be subscribed because they believed that the cash surrender value was much higher than it actually was.

THE COURT: Are you saying, among other things, that you agree that the reliance on the advice of counsel should be a subject to be presented to the jury as a defensive position in this case?

MR. WING: As a matter of fact, I am not saying that, because as I understood the testimony Yesterday, and we haven't, of course, finished with it, I don't believe there is any evidence that Boucher relied on anybody with respect to the two representation letters signed in January and May. I don't think there is any evidence of that.

THE COURT: I thought the evidence was

A 1304

perfectly clear yesterday on his cross examination that he omitted to tell Mr. Lowry a number of the facts about the Marriott letter.

MR. WING: That's correct.

THE COURT: In that light, I don't know how he could be arguing reliance on the advice of counsel.

MR. WING: I don't know how he could either.

THE COURT: But Mr. Maloney just got up and he is going to tell us.

MR. MALONEY: Your Honor, the evidence on reliance of counsel goes to the rep letters of January 23, 1970 and May 27, 1970.

Before the January 23, 1970 letter was signed he and Lowry were interviewed by Hubbard, which was part of the government's case in chief, in which Mr. Lowry or himself -- it's unclear which of the two -- talked about the legal binding nature of these Mecom transactions, and the evidence, at least the government's evidence, is that Lowry knew all the relevant facts concerning those contracts, and he has testified about that also in the case in chief.

On the May 27th rep letter, your Honor, there

was that handwritten note on the draft, which was offered and received in evidence yesterday, from Mr. Fishman to Mr. Boucher, saying "Okay to sign, reviewed with TPL," Mr. Tim Lowry.

I submit that evidence signifies that there was reliance on counsel as to the bona fide nature of these transactions.

When we go to March, '71 we are no longer, as you see it, within the four corners of this indictment. We are now looking at a possible coverup, which may go back in so far as his criminal intent, but it doesn't go to the gravamen of the charges in this indictment.

In any event, again, from the testimony, it is a period by March, '71, according to Lowry's own testimony, that he was perfectly aware of the significance of the Marriott complaint, and whether he read off in detail to him or not, I think the testimony will show and has shown that there was enough understanding on the part of Lowry that he was able to advise him not to worry about it and do anything. I think even in the March, '71 there can be reliance on counsel arguments. But that is not my major position. My major position is back in May and January of '70.

THE COURT: What do you say to that, Mr. Wing?

MR. WING: What I say is there was no evidence that when Mr. Boucher was presented with the January representation letter that he consulted with anybody about it, there is no evidence that when he signed it he relied on anything Mr. Lowry ever said, or any other lawyer.

THE COURT: Mr. Maloney has just cited evidence from which he is going to argue to the contrary.

MR. WING: I submit that what Mr. Lowry said to Mr. Hubbard as reported in the memorandum Mr. Maloney is referring to doesn't really go to the representations made by Mr. Boucher in that letter, to the effect that there were no repurchase agreements, that there were no economic guarantees, because that isn't what Mr. Lowry said to Mr. --

THE COURT: Look, let's cut this off, because we are again, as usual, keeping the jury waiting.

Mr. Boucher is still on the stand. I am a little dim on that. He is under oath. Ask him.

MR. WING: I intend to, your Honor.

THE COURT: Then after you have asked him, you don't need to go through the Lark business with him, do you, or is that what you are planning to do?

MR. WING: That is why I was making the application. He was right in the middle of it.

THE COURT: All right. I will rule as follows: If he testifies in answer to your questions that he did rely on the advice of counsel and that that explains these rep letters I will allow you to go into the Lark transaction.

MR. ARMSTRONG: May I be heard, your Honor?

THE COURT: Yes.

MR. ARMSTRONG: I would just simply like to point out that there are witnesses who have already appeared in this case, your Honor, who have testified at some length in the past about the Lark transaction. I will require some help on the facts of the situation from Mr. Colodner because he was handling the Lark transaction for us, but it is my understanding that Mr. Fishman, Mr. Lowry, Mr. Davis and Mr. Hallman at least have testified at length about the Lark transaction in the past, and if we go into the Lark transaction, your Honor, it may be -- I don't know -- it may be

necessary to call back all those four people, anyway, plus other people, to testify about this transaction.

We have maintained all along that the degree to which this transaction would lengthen the trial, and more importantly than that, your Honor, the degree to which ti cannot lengthen the trial because the witnesses who should be called are not available and the events are so stale that we can't call --

THE COURT: How stale are they? What year do they relate to?

MR. ARMSTRONG: This is back in 1968, your Honor.

THE COURT: We have had other '68 events here.

MR. ARMSTRONG: Your Honor, the point is, as we have said, the whole matter was investigated for two years by the grand jury in Denver, Colorado and no indictment was returned. There is lengthy testimony before that body.

In order fairly to be able to defend in that matter we would have to, in effect, try a whole other lawsuit. I say the defendants would not be able to do that, but in any event, in an attempt to meet it

as best we can, this trial will necessarily be lengthened considerably, including calling back many witnesses that the govenrment has already put on the stand.

THE COURT: At the moment all he wants to do is interrogate Mr. Boucher about it, if he relied on the advice of counsel on the other things.

I believe in addition that when this subject came up, and leaving aside whatever vacillating has happened by the court, I indicated in the last ruling that while I would not allow the government to put that on as part of its direct case, the reservation was allowed that it might be a suitable item of rebuttal, depending on how the defense case went. So whatever is involved in all these many other people, I suppose that's been in the cards for a while, and if in fact it requires lengthening this long trial by a day, we will have to bear that.

MR. MALONEY: Your Honor, I would make oen other important point here, because we still think our post trial motions are most valid, despite your Honor's early ruling, on the bankruptcy.

The Lark transaction, which is in the government's possession, was gone into at length by Mr. Boucher under terms of what we consider immunity, and if they

are going to go inti this area they are going to be put on notice of that.

Secondly, your Honor --

THE COURT: What kind of immunity is that? Is that a transactional immunity?

MR. MALONEY: Yes, use immunity. It's a use immunity, your Honor, and the fruits thereof.

They have that transcript in their files. Mr. Wing has taken the position he hasn't read it. I don't know whether Mr. von Stein -- I think he has taken the position he read it but doesn't remember it. I submit that is in their files and it will be a relevant part of any posttrial hearings.

Secondly, I do not believe the Lark transaction, assuming the government's proof, is a valid similar act. Your Honor has ruled puts, buy-back purchases, or whatever, are not illegal per se. There was no evaluation, as I understand the evidence, that ever sprung out of Lark. There were no rep letters signed in connection with the Lark transaction. I therefore don't believe it should be a valid comparison.

THE COURT: The claim is, if it is not identical, that it was a sale with non-arm's-length

qualities in order to inflate values of the things involved in the sale.

Is that a fair description, basically, of what the claim is?

MR. MALONEY: I need some assistance, your Honor.

MR. COLODNER: Your Honor, my understanding of the transaction is that the values had already been set some three months before the sale occurred.

THE COURT: By whom? By what?

MR. COLODNER: By the Imperial American board of directors, which set cash surrender values for various partnerships.

Now, under the provisions of the limited partnerships the Denver Corporation itself could have repurchased the interests of the limited partners in the partnerships, and the prospectus sets that out.

Now, the allegation is, I believe, that rather than the Denver Corporation, which was a subsidiary of the ColoradoCorporation and owned by Mr. King, rather than the Denver Corporation purchasing those interests, which it had agreed to do, a third party purchased the interests, Lark Oil, and the government is contending that the Lark Oil purchase was funded by King

Resources Company. What the implications of that were seems to me very arguable.

THE COURT: I know. Is the Denver Corporation, remind me, one of the King --

MR. COLODNER: The Denver Corporation is a broker-dealer organization which had the responsibility for selling the funds.

THE COURT: Is it part of the King family of corporations?

MR. COLODNER: Yes. But it had agreed to repurchase the interests or to have them repurchased if it could not repurchase itself. And so we are going to get into a legal question here as to whether the Lark transaction itself is fraudulent.

Also, the Lark transaction amounted to arranging for a sale based on prior established cash surrender values and the use of those proceeds to invest in additional partnerships, and I think that is different than trying to establish a sale on which to place a new value and therefore bring in additional investments from the same person you make the sale for.

MR. WING: Very briefly, these are the facts, at least as we will present: There were these

two drilling partnerships which your Honor has heard about and the Denver Corporation was involved in selling interests in those partnerships and they were like funds and they had a redemption feature like a fund's redemption feature, that is, that the investor could get out when he wanted to at what was called the "cash surrender value."

THE COURT: The same as the net asset value of the Fund of Funds.

MR. WING: It was supposed to represent the same kind of thing, the value as determined by engineers of the proven reserves, things like that. Therefore, the success or failure of those funds in selling additional partnerships turned very much on what the cash surrender of the funds was. If it was high it was a terrific investment, it looked like a terrific investment, because you got tax advantages plus you could get out at a very high price. If it was low it did not look like a good investment. So it was very important to maintain it at a high level.

Now, the first three partnerships, the interest in these first three partnerships, had been carried at this high level until the end of 1968 and they wanted to arrange a sale of those partnerships to some-

body else at that high level to convey the impression that the properties which were represented by the sale really were worth that. The fact is that a later appraisal showed they were worth considerably less.

But John King on either the 29th or the 30th of December calls up one of his suppliers, a company which sold pipe to King Resources, and asked him as an accommodation to buy these properties at that particular price and that he, King, or his companies, would in effect advance him the money to do that by selling him something like $30 million worth of pipe and giving him a tremendous profit on the sales over the next couple of years.

The next day, which was the 30th or the 31st, Boucher is brought in and the whole thing is negotiated, and in addition to that particular term King gives them a letter indemnifying them against any loss as a result of this transaction.

As a result, the sale goes through not to the pipe company, but they have a subsidiary and it is sold to the subsidiary. In a matter of hours there is this transaction.

The shareholders or the people who own these partnership interests, as well as, I think, the

SEC, are then advised in letters that go out that there was this sale to an unaffiliated corporation at a price equivalent to the cash surrender value. There is nothing revealed to anyone about the indemnification agreement, the fact that King is going to advance the funds to make this sale.

It is really virtually identical to the Mecom transaction and it is not, despite the way Mr. Colodner puts it, it is really not that complicated an arrangement. There is a letter that sets forth the indemnification of the Lark people. There is one witness from Lark who is going to testify that he was asked this by King and he agreed to go along and what the terms of the deal were.

I submit that it is perfectly relevant, it is very probative on the issues of these defendants' intent and knowledge, particularly with respect to Mr. Boucher claiming that he had no knowledge of any deal like this with Mecom.

MR. COLODNER: Your Honor, with all respect to Mr. Wing, the government is intending to call one witness, but the other gentleman who participated in the transaction from the purchaser's side, Mr. Quan, has also testified under oath and has testified to

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different facts with respect to the participation of the defendants in the transaction.

He, for example, disputes the fact that Mr. Boucher was involved in the negotiations during December and early January. He says he never met Mr. Boucher.

Now, the government isn't calling Mr. Quan. We have been trying to reach Mr. Quan. But that is an example of the fact that there are factual disputes in this case.

THE COURT: Why is the government not calling Mr. Quan?

MR. WING: Simply one witness is better than the two.

I will ask Mr. Vizcarrondo to comment on it because he is handling the Lark transaction.

THE COURT: Where is Mr. Quan?

MR. VIZCARRONDO: Mr. Quan is in Oklahoma, as far as I know. I have talked to him.

The reason we are calling Mr. Harper rather than Mr. Quan, Mr. Harper has a much better memory.

THE COURT: Does Mr. Quan say what Mr. Colodner says he says.

MR. VIZCARRONDO: Not that I recall. I never read any testimony of his to that effect.

Mr. Quan basically does not remember what happened that well. It isn't that he contradicts Mr. Harper. He just doesn't remember that well. He was a bookkeeper, he was the treasurer.

MR. MALONEY: Your Honor, I interviewed Mr. Harper on the phone very briefly last week and Mr. Harper or his attorney informed me that he has no recollection of any indemnity discussion with Mr. Boucher present. This is what his attorney informed me a week ago. I don't know what his present recollection is going to be.

I submit under his facts, the government's, it is not equivalent to Mecom, because Mr. Boucher in the Lark transaction never signed any representation about the terms of the Lark transaction to anybody that I am aware of, your Honor, and certainly not for valuation purposes.

THE COURT: What about the bankruptcy argument?

MR. WING: Your Honor, what Mr. Maloney is referring to I believe is testimony given when Mr. Boucher was an officer of King Resources in King Resources' bankruptcy proceeding pursuant to a 167 hearing, and we believe and have argued to the court in memorandum

that that kind of proceeding doesn't come under the bankruptcy immunity statute in any way. That very simply is our position on that. We do not consider it is a problem.

MR. MALONEY: I don't think the judges in bankruptcy in this court would agree with Mr. Wing. Be that as it may, that is a legal argument that is yet to be fully explored, your Honor.

THE COURT: I think at the time I read the papers, with deference to the bankruptcy judges, I was inclined to agree with the government's position on that, but not with the kind of certainty that I would prefer. So there is a risk to the government's case in that, it seems to me, and I take it what you are saying, Mr. Wing, is that that evidence seems so important to you or you are so confident of your position on 167 that it is a risk you are prepared to take.

MR. WING: We have been prepared to take it all along, your Honor.

THE COURT: I think I will rule as I said this time. If Mr. Boucher presses the position -- "presses" is the wrong word -- stated the position that he signed those representation letters on the advice

of counsel and the belief that the transactions were legitimate and valid in the waysd that concern us I will allow this proof as part of his cross and as an item of rebuttal.

MR. MALONEY: Your Honor, may I just expound on that for just two minutes.

His testimony along those lines is he doesn't even remember talking to Hubbard either time, but there is evidence in this record put in by the government that Lowry and he talked to Hubbard together.

THE COURT: Don't tell him what the testimony is. I will listen to it.

MR. MALONEY: All right, Judge.

THE COURT: He can give that for himself.

MR. ARMSTRONG: Your Honor --

THE COURT: Mr. Armstrong, is this the same subject? I hear your partner and you and Mr. Maloney.

MR. ARMSTRONG: I am just asking your Honor, how this ruling affects the defendant King. If the testimony is being admitted solely because the defendant Boucher is raising an advice-of-counsel defense, if the defendant King proposes not to raise such

a defense I submit that the evidence should not be admitted as against him.

THE COURT: I can't parse it that way, although I appreciate your argument. That is to say, the whole business is a balancing judgment anyhow, and this is why I have been backing and forthing about it. It is weighing the need and the significance against the possible prejudice and the encumbering of the trial and so on. I think it is a discretionary ruling and obviously my discretion is a fluctuating thing. It's been close throughout.

I think the balance tips this way. If the testimony is what Mr. Wing anticipates and I think it is relevant and probative based on the offer of proof that has been made to me against Mr. King as well as Mr. Boucher, then I will allow it against both of them.

MR. ARMSTRONG: Very well, your Honor. There is just one other very short matter with respect to the indictment and that is in the conspiracy count there is a reference, as long as we are trimming the indictment --

THE COURT: Do we have to trim it some more now or does that relate to this?

MR. ARMSTRONG: I just thought I would bring it up very quickly. It does not relate to this. It relates to the allegation that the defendants conspired with themselves and with others unknown to the grand jury, and in light of the bill of particulars, which states that at the time of the filing of the bill of particulars there was no such person known to the government, and in the light of the government's proof, where they have not introduced any such evidence, I would ask that in the retyping of the indictment that the others unknown to the grand jury be excised.

MR. WING: Your Honor, I would oppose that. The jury may very well find that these two defendants conspired with Mr. Lowry in this.

MR. ARMSTRONG: Your Honor, the government was under a continuing duty in their bill of particulars to name anyone that they alleged as being part of the conspiracy and they say there wasn't anybody other than these two men.

MR. WING: That's what we said, and we did not allege it up to the time the trial started. We did not have Mr. Lowry's trial testimony at the time the trial started anyway.

THE COURT: And you mean you didn't have

his risk?

A Any of his own money at all?

Q Yes.

A He contributes nothing?

Q Yes.

A That would limit his risk.

Q Sir, at the time you signed this letter, did you seek any opinion from any lawyer as to whether or not you ought to sign it?

A I don't recall that I did, no.

Q And at the time you signed the letter, were you given, either at the time you signed it or before, were you given any legal advice as to whether or not you should sign this letter?

A I didn't recall any, Mr. Wing.

Q Did you, when you signed this letter, rely, Mr. Boucher, on any legal advice of any kind?

A I would have to say no. That is a very difficult question for me to answer.

Q Sir, at the time you signed it you have told us I believe that you had no knowledge of anything that was set forth in that Government's Exhibit 6-H; is that correct?

A That is correct.

MR. WING: About the nature of the business they had conducted with them during the first six months in 1970. I say they had led Mr. Conwill and the directors to believe that that money that had gone out of the Fund of Funds wasn't for new investments; it was only for necessary recurring obligations on old investments and that wasn't the fact.

THE COURT: I am going to exclude that because I don't think every possible kind of misrepresentation, unless it has been alleged somewhere, ought to be allowed in here. When you are dealing with that much money I have no idea how collateral we can get. We got enough evidence relating to the central questions in the case and without regard to the bill of particulars I sustain the objection. We will go on to something else.

While the jury is out, we have three more minutes, I was led to suppose, Mr. Maloney, as I listened to Mr. Boucher, that as a result of his testimony on cross, you would withdraw your request for reliance on the advice of counsel but I want you to speak to that now.

MR. MALONEY: Your Honor, his testimony on cross is exactly as it was on direct and it was still my basis at that time to submit that charge.

THE COURT: Then I understand you. I am not

going to give that charge on this record. I think with deference to Mr. Maloney there is absolutely no basis for that kind of charge; when a man under oath says he has no recollection of seeking legal advice and no indication he relies on it and no indication of the side deals. I don't think that is a justification for getting the Lark business in.

MR. WING: Your Honor, for two reasons I think it ought to be in regardless of what Mr. Boucher says on the stand. The first reasons is, although you wouldn't charge it I suspect Mr. Maloney will argue it and so the jury will have it before them.

THE COURT: I will charge the jury there is no basis for that defense in this case if he argues it. We will make it as simple as that. He may argue anything he likes within limits and at some point I have to instruct the jury and I will tell them what the law is on that, that thatlaw doesn't apply here and Mr. Maloney can go ahead and argue as he pleases. Are you planning to rely on advice of counsel, Mr. Armstrong?

MR. ARMSTRONG: No, your Honor.

THE COURT: That is the ruling on both those things. Let's take another one and a half minutes and then we will proceed.

(Pause.)

THE COURT: Mr. Maloney, let me just say something to correct something that I said before the recess. I think in the interest of justice, it is fairer and more suitable to direct you not to argue the advice of counsel's defense and on the record as it now stands I will so direct rather than to play that laissez faire game and let you argue it and have me correct it.

If the record changes and you have additional arguments I will reconsider.

MR. MALONEY: Your Honor, I will not pursue the point any further. There is a way I will propose to argue and I will discuss it at the appropriate time with your Honor, how I will tie in the Hubbard memorandum. Whether you can call it reliance or not is a different question.

THE COURT: You will have to give me a different request of charge or tell me a different argument.

MR.MALONEY: It would not involve the requests of charge.

THE COURT: All right.

(Jury present.)

MR. WING: May I proceed, your Honor?

THE COURT: Yes.

best possible performance in terms of increased appreciation in their investment in natural resources?

A The best performance?

Q Yes.

A That we could generate?

Q Right.

A Of course.

Q Mr. Boucher, do you recall in May of 1970, May 27th, singing a second representation letter with respect to the Arctic sales that was virtually identical to the first one? Do you remember signing that letter?

A May of 1970?

Q Yes.

A Yes.

Q Sir, at that time when you signed that letter did you rely on any legal advice?

A No, Mr. Wing, not that I can recall.

Q Did you discuss what was in that letter with any lawyers?

A Oh, I just don't remember.

Q To the best of your recollection, you did not discuss it with any lawyers?

A I just don't recall.

Q Did you attend a board meeting on March 6, 1971,

consider, is the net price to the purchaser which you think in terms of his U. S. taxable position.

So my answer is yes, it was fair. My answer to you is that the net cost to the purchaser is a very argumentative number which you insist that the price was $15.

Q Let me ask you this, Mr. Boucher: At the end of the period of time covered by the contract was the purchaser going to be out of pocket the amount of money referred to in the contract?

A Yes, he was, Mr. Wing. Yes, he was.

Q Mr. Boucher --

A Cash.

Q Cash.

A Yes, he was. He had that obligation. But in terms of his net cost per acre, his net cost doesn't approach $15.

Q Did you attend a board meeting, Mr. Boucher, January 29, 1971?

A Did I attend one?

Q Yes, the King Resources board.

A Oh, I am sure I did. If they had one I attended it.

Q Showing you Government's Exhibit 48N for

I believe that the Consolidated lawsuit came into this case at the time that Mr. Trueblood testified, when Mr. Wing attempted to bring out and did bring out that they had filed a lawsuit which included a claim for rescission, and there has since been testimony back and forth I believe on whether that claim for rescission represented a view on Mr. Trueblood's part that the contract was no good from the beginning.

I think insofar as that has been entered into the case we intend to touch on it, lightly, but to point out the real reason for why this rescission claim was brought into the lawsuit.

However, the only evidence that is relevant to Mr. Trueblood's state of mind, which is why Mr. Wing brought it in, is either the testimony of Mr. Trueblood or of those who actually participated in bringing the lawsuit, and the conclusions of the people who are sued are not relevant, and I would just like to point out, your Honor, as far as we are concerned, that is the ground upon which we object, not a blanket objection to testimony about the rescission claim.

MR. WING: I will withdraw it.

Q Mr. Boucher, at that meeting was there a discussion about the Consolidated Oil & Gas lawsuit?

Just yes or no.

MR. MALONEY: Objection, your Honor, based on your Honor's prior ruling on relevance.

THE COURT: Mr. Wing, what do you say about the relevance of what you are going into now?

MR. WING: I think it is relevant because I am going to go into the Consolidated Oil & Gas Arctic sale. I am just laying a foundation, your Honor. I just asked for a yes or no as to whether there was a conversation, not what the conversation was.

THE COURT: All right, that much I will allow. Was there such a conversation?

THE WITNESS: I don't recall, your Honor, without the papers before me.

Q Mr. Boucher, at that meeting wasn't there a conversation about the Consolidated Oil & Gas Arctic transaction when it was made back in December, 1969?

A I don't recall, Mr. Wing.

Q Mr. Boucher --

A You are asking me for a specific recollection.

Q I am. Mr. Boucher, at that meeting didn't Mr. Neil McKenzie state to you and to the other directors --

MR. MALONEY: Objection.

THE COURT: I have to let him finish the question.

MR. MALONEY: Your Honor, I think he is pursuing a line of questioning here when the witness has yet to remember what happened at any meeting and he gets the whole meeting in by asking him a lot of questions.

THE COURT: No, he doesn't get anything in. This jury has practically been through law school with us. I will remind them that in the very first seemester we learned that questonis aren't evidence and nothing gets in by questions, and I am confident that you are going to pass that subject with flying colors. So remember that.

I will allow the question, but you will only learn something from it if you get an answer. Like the answer "I don't recall" deosn't each you anything about the subject, unless it may teach you something about somebody's recollection, which at some points you may have to consider. But other than that we trust you to avoid the danger that Mr. Maloney is properly concerned about but that I think we can surmount. Ask a question.

MR. MALONEY: Your Honor --

MR. MALONEY: Your Honor --

THE COURT: No, please.

Q Mr. Boucher, at that meeting didn't Mr. Neil McKenzie say to you and the other directors that in his opinion Consolidated Oil & Gas entered into the Arctic transaction without any kind of proper management assessment of the value of that deal?

A Not that I recall, Mr. Wing.

Q Didn't Mr. McKenzie say to you and the other directors that any inspection of that Consolidated deal, that the Consolidated Oil & Gas Company had entered into, the board of directors would be the subject of enormous shareholder scrutiny at that price, considering going prices?

MR. MALONEY: Objection, your Honor, and I move for a mistrial. Mr. Wing is deliberately pursuing this with double hearsay and getting prejudicial questions before this jury, knowing he can refresh his recollection, if that is what he is after, with that document on Mr. McKenzie's state of mind or what he is stating about where he gets it from. I move for a mistrial.

THE COURT: I don't know what document you are talking about, but come to the bench.

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MR. MALONEY: The minutes.

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MR. WING: There is nothing in there, your Honor, that will refresh his recollection on this, and there is an absolute basis in fact for the question I am asking.

THE COURT: All right. Objection overruled. Motion denied.

Q Isn't it a fact, Mr. Boucher, that at that point Dr. Frederickson said, "You say the price is too high," and didn't McKenzie say at that time the price was ridiculous, and isn't it a fact, Mr. Boucher, that you said absolutely not one word to refute that particular statement by Neil McKenzie, the head of your Calgary office?

A I don't know, Mr. Wing.

MR. MALONEY: Your Honor, I object and I repeat my motion. Mr. Wing is testifying here.

THE COURT: Now, look, I don't want you to repeat your motions any more and I instruct you to stop.

MR. MALONEY: Yes, your Honor.

THE COURT: I will rule once on each motion.

MR. WING: I have no further questions.

was the memorandum we promised you today regarding Mr. Cowett's testimony. I also have a copy of the testimony here which really the relevant parts start on page 16 and goes to the end. This is our memorandum.

MR. WING: We will try to reply by tomorrow.

THE COURT: I guess I better keep the rulings coming almost as far as the memo. As I have read the memo, both memos, Defendant's Exhibits U; W; AA, and BB; I am going to adhere to the rulings. They will be excluded.

MR. ARMSTRONG: Your Honor, does that mean even if we call back Mr. Mecom during our case, that we will not be permitted to put the documents in?

THE COURT: I can't predict what will happen if you call Mr. Mecom.

MR. ARMSTRONG: We are talking about a major epxense, your Honor. If he comes up here for the purpose of putting these documents in and it can't be done --

THE COURT: That is fair enough. I think the answer is yes. That applies whether you call him or not. He was here when I ruled and I felt, and I tried to convey to you that however good your motives were, the way it had been done and the way you proposed to do it, the time you took up with that, caused that in the end

to be a series of confusing things that I felt would have misled the jury.

Now, if you bring him back here just to have them hang out, it seems to me it will give them a significance that I must confess they appear to me to lack, all things considered, and I would be disposed to adhere to the ruling.

MR. ARMSTRONG: Your Honor, if I may, the one exhibit that is most important is the Exhibit W. In that exhibit it is a sworn statement by Mr. Mecom, not a long statement, not a complicated statement. It is a statement submitted to a Court of the Executory Contract --

THE COURT: I understand it. I really don't want to go over it again. There comes a time when one must conclude making an error and I am prepared to do that.

MR. ARMSTRONG: It is an important --

THE COURT: Mr. Armstrong, I know it is important. I considered it at length when we argued it here. I have read your brief. I understand what you are saying. It is possible I am mistaken but I have ruled. Let's resume tomorrow morning.

(Adjourned 4:45 p. m. to June 24, 1976,9:45 a.m.)

of the memorandum which relates to the telephone call with Mr. Mecom.

MR. WING: I have no objection to the coming in in the way that past recollection recorded documents did.

THE COURT: That means specifically the way Mr. Armstrong means to put it in.

MR. WING: Yes.

THE COURT: Okay.

(Defendant's Exhibit BA received in evidence.)

Q Mr. King, will you read the first two paragraphs of this memorandum, which relate to the conversation. We are now speaking --

A You want the salutations as well?

Q The purpose of dictating this was what?

A It was a memo to Tim Lowry recording my discussion with Mr. Mecom.

Q Go ahead and just read those two paragraphs.

A "I received a call today from John Mecom indicating that the recent publicity associated with his purchase of an interest in the Arctic permits of IOS has created an unexpected trauma with some of his lenders and banking institutions. They are strongly objecting to his making investments that go beyond the expiration

of their note periods. He expressed concern that this might endanger some of his financial arrangements that he was seeking, and although he wanted the interest, it was relatively small by comparison to his other holdings.

"I told him that if it became a serious problem I certainly would do everything that I could to resolve it for him, that I myself might want to buy his interest after a year or two in the event it was still available and would so indicate to him.

"Further, I advised him that if it would help him with his bankers I would so indicate to them that if I could not buy his interest personally I would undertake to sell it on his behalf to others that might be interested, a number of whom have contacted me recently. He said he would let me know and if necessary might have his lawyer prepare a draft of agreement between us. I instructed him that should he do so to send it to you for your perusal."

Q Mr. King, did you speak to Mr. Lowry at or about this time?

A I have seen some records that indicate that I may have or that I did.

Q Do you have any actual recollection of the substance of your conversation?

A In the broadest general sense, because I was

leaving for a month, and as was traditional, I was involved in giving him a series of instructions, some powers of attorney and other things, so that actions could be taken while I was out of town.

Q Then you left on the 11th for the South Pacific?

A That is correct.

Q When did you return, sir?

A I am a little unclear on that, but it would appear that I returned sometime around the 1st of March.

Q Sometime after you returned did you have a conversation with Mr. Lowry relating to the matter reflected in the memorandum you have read?

A Yes, I did.

Q To the best of your recollection, sir, what was the substance of that conversation?

A It was a very brief conversation in which I asked him if anything had ever occurred with respect to the Mecom matter and he said no.

Q And he said what, sir?

A He said no.

MR. WING: Your Honor, I have no objection, assuming Lowry's statement is not offered for its truth.

THE COURT: I take it you are not offering the statement for the truth of it.

MR. ARMSTRONG: We are offering it for his state of mind.

THE COURT: Whatever Mr. Lowry said.

MR. ARMSTRONG: For his state of mind.

THE COURT: Yes.

Q Do you have any recollection, sir, of conversations with Mr. Lowry relating to any side agreement with Mr. Mecom occurring in January of 1970?

A I do not.

Q Do you have any recollection of any such conversations up to the time of the memorandum you have read on February 10th?

A No, sir.

Q Sir, I show you what has been marked Government's Exhibit 1 and I ask you to look at it and I ask you to read it right now.

THE COURT: Hasn't he read it before now, Mr. Armstrong?

MR. ARMSTRONG: All right.

Q Have you read that document?

A Yes, I have.

Q Have you read it recently?

A No, I have not. When you say recently, I read it within the last two months.

THE COURT: If you would want him to read it, by all means, let him read it.

MR. ARMSTRONG: All right. I just want to be sure, your Honor.

Q Have you read it, sir?

A I have.

Q Did you ever sign a document in those words?

A I have no recollection of ever having signed any such document.

Q Sir, do you remember having any conversations with Mr. Mecom in the spring of 1970?

A Yes, sir.

Q Do you recall what the subjects were? Please tell us what discussions you had with Mr. Mecom in the spring of 1970, and to the best of your recollection, when they took place, where they took place, and what was discussed.

The when and where would be relatively difficult, simply because I was out of the country a very large portion of that period of time and I can't place the timing. But we discussed a number of different things. We were involved actively at that time and had been prior to the timeyou suggest and were continuing discussions along with John Mecom, Jr. in conjunction with the Saints.

Q What I would like to direct your attention to, sir, is this right here.

A Yes, sir.

Q Does that refresh your recollection?

A No, sir.

MR. WING: If there is no objection, the government will offer 48H.

MR. ARMSTRONG: On the representation that the government doesn't know who prepared the document, I can't agree to it going into evidence.

MR. WING: If there is an objection we withdraw it.

Q I think you also told us yesterday, Mr. King, that there was no difference in the way Fund of Funds transactions were priced compared to the pricing of transactions with any of your other customers, is that right?

A No difference in the mechanism for the pricing, is that what your question is?

Q Yes.

A Yes, sir -- insofar as I know, at least.

Q Mr. King, is it correct that during the year 1969 King Resources, in the sales of resource interests and related services, received roughly 39

per cent of their total revenues in that category from the Fund of Funds?

A I don't have any independent recollection of it, but I have heard the number and I have no reason to dispute it.

Q Is it also correct that for that same period of time the gross profit on those sales coming from the Fund of Funds was roughly 64 per cent?

A No, sir.

Q That's not?

A Not in my interpretation.

Q The records of King Resources that were put into evidence by Mr. Davis and reviewed by Mr. Dingwall reflected those percentages. Are you aware of any inaccuracy in those records?

A I believe they were totally inaccurate as to the manner in which he presented them, sir.

Q By "he presented them" --

A Mr. Dingwall.

Q Is there anything inaccurate in the King Resources financial records?

A Not to my knowledge.

Q Just Mr. Dingwall's presentation?

A Well, he took them out of context.

Q Well, sir, did you have any knowledge back in 1969 or 1970, after the financial work was done, that the Fund of Funds was contributing a substantially greater percentage of profit to your company than the percentage of sales they constituted.

A Not as realted to that category of sales.

Q As related --

A We had a number of different kinds of businesses, each of which were different profit centers and had different profit center results.

A 1331 D

A 1331 D

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Q Wasn't your biggest business the sales of resource interests and related services?

A Yes, sir.

Q And wasn't the Fund of Funds the biggest source of revenues in that area?

A Yes, sir.

Q And didn't you know sometime in early 1970, after the accountants had done all the figuring, that from those sales you were getting a much greater percentage of profit from the Fund of Funds than from your other customers?

A I don't think there was any individual awareness of that, other than the fact that we had several very beneficial sales in which Fund of Funds made a purchase. But other than that, no, sir.

Q What do you mean, sir, by a beneficial sale?

A Well, we had acquired at considerable long term risk to ourselves some highly speculative time, continued to be speculative, interests, and after time and appreciation they grew in value and we sold them at what we believed to be the market price at that time and we did have beneficial sales.

Q Does the beneficial relate to the profits?

A Certianly. I would not dispute that we made profits. That is what we were in business for.

Q Didn't you know, Mr. King, that you were making a lot more money from the Fund of Funds than from your other customers?

A No, sir, not as an overall matter.

Q You didn't know that?

A I don't believe it to be true.

Q You don't. Mr. King, with respect to your appearance at the August 2, 1968 board meeting of the Fund of Funds which you testified about yesterday --

A Excuse me. Could you refresh me? Where is that meeting, August 2nd?

Q Don't you recall where that meeting was, sir?

A There are so many meetings, I can't recall them all.

Q Don't you recall where that meeting was?

MR. ARMSTRONG: Objection, your Honor. The witness simply would like to be pointed to the particular meeting he is talking about.

THE COURT: He is allowed to press a little on cross examination.

Overruled.

Q Where was that meeting, Mr. King?

A In August. Well, let's see. August 2nd of '68?

Q Yes.

Does FOF have any say about seeking cost being shared by FOF?" and your reply, "Since no new projects, no," and Mr. Howe saying, "So there is a certain amount of management by King of HBF," and you saying, "In the oil business contracts can be no use or protection if either party wants to screw the other"? Do you remember saying that?

A No, sir, especially the way you describe it.

Q Do you remember saying, "There is a limit on how much you tell your customer what to do, but you are not our most profitable customer"? Do you remember saying that, Mr. King?

A No, I do not, sir. I could have, but I don't recall.

Q You could have told the Fund of Funds directors that they weren't your most profitable customer?

A Yes, sir.

Q Were they your most profitable customer?

A I don't believe so, sir.

Q In two years, hasn't that one fund put more profits into your company than any customer you ever had in your life?

A No, sir.

Q Who put in more?

A Are you speaking about relative amounts or are you talking about grosses?

Q I guess I'm talking about gross profit.

A In terms of gross business they were the largest.

Q How about gross profit?

A No, sir.

Q Who was the largest?

A I think our private placement operations were by far the largest.

Q What was the name of that private placement operation?

A It was conducted within the company.

Q Did it have a name? Was this a customer?

A I think we called it for a while KP Fund and then KP Funds.

Q Was that a customer that bought properties from you?

A They vended limited partnerships.

Q And by that do you mean --

THE COURT: We are getting confused. That's not a customer, is it? It's one of your companies.

THE WITNESS: Yes.

THE COURT: He is asking you to name a customer that was a source of more gross profit than FOF, a customer.

THE WITNESS: An individual?

THE COURT: That's what he asked you, or any kind of customer, a company.

THE WITNESS: Dan Ore.

Q How did the gross profits they contributed to King Resources compare to what Fund of Funds gave you?

A It was an extremely profitable venture.

Q In terms of millions of dollars?

A I don't recall exactly but I would guess in the range of a million, million and a quarter in one project.

Q How about total?

A That was the one project they were in involved in.

Q And the Fund of Funds gave you how many millions profit?

A I have not seen a calculation of it that has any validity to it but I would be glad to have one develop.

Q Could you hazard a guess maybe it was more than $10 million?

A It is possible.

Q Do you remember telling the board that King was guilty of having not insisted on more paper work? Do you remember saying that?

A I don't, sir.

Q Do you remember telling the board of directors in response to requests about how they could get some cash, some liquidity that they had a real problem in trying to sell a nonoperating interest? Do you remember telling them that?

A Yes, sir.

Q And isn't it a fact, Mr. King that nonoperating interests and oil properties get sold every day of the year?

A Yes, sir.

Q And didn't you want to prevent or dissuade the fund from selling their interests in properties in which you were both jointly owners because you wanted their money to come in to help develop those properties?

A Yes, sir.

Q Did you tell them that?

A Yes, sir.

conclusion, completing the summations of counsel, and then giving you the instructions that I have to give you to guide your deliberations. I tell you that just because I am sure you are interested so that you can have some tentative notion of the dimensions that remain of your work. Beyond that, let me wish you a pleasant weekend and ask you to come back at 10:00 a.m. on Monday.

(Jury left courtroom.)

THE COURT: Is there anything else, gentlemen?

MR. MALONEY: I would like to put on the record which wasn't put on before, on this rebuttal evidence issue. Michael Wagner, a member of Mr. Armstrong's staff informs me, some two weeks ago, long before I am aware what is on that transcript, which is another issue, he had a telephone conversation with Mr. MacKenzie, who is in South Africa. Mr. MacKenzie informed him -- well, Mr. Wagner, why don't you make a representation what Mr. MacKenzie informed you?

MR. WAGNER: Your Honor, among other things, Mr. MacKenzie told me as best I recall it, he was asked by Mr. Wing whether the $7.50 price or the $15 price, however you want to look at it, was high. His answer, he said to Mr. Wing, was yes, the price was high but was not unreasonable in light of the fact that King

Resources was at that time the only company giving armouts over a large acreage in the Arctic and that that was the only way you can buy in so he didn't think it was unreasonable.

That is what he told me on that score.

MR. MALONEY: I submit, your Honor, if that tape goes in, I don't believe it is a proper foundation because all Mr. Boucher said is I don't remember the occurrence and if he could have shown him the transcript he probably would have acknowledged it and --

THE COURT: If he would have acknowledged it happened maybe you don't have any problem. You can put him on the stand.

MR. WING: That would be fine with me.

THE COURT: If that is our solution I don't have to read this brief over the weekend. I can read a novel.

MR. MALONEY: Let me complete my argument, if I might, your Honor. The point is, the suggestion or basis of the foundation for this proof is, that he had an obligation to reply. There were six or seven men at a heated discussion of that board about a lawsuit that was to occur at 5:00 o'clock that day and because there is a statement about the ridiculous nature of the price

by somebody who wasn't informed about all the circumstances of the sale in the first place, I do not believe would be a proper question before this jury in any event, your Honor. I don't think the questions were properly before this jury about what happened.

THE COURT: Did you object to Mr. Boucher's being asked about that?

MR. MALONEY: Yes, your Honor.

THE COURT: Did I sustain the objection?

MR. MALONEY: No, your Honor.

THE COURT: I don't have to reconsider every ruling I make. It seemed to me then and still seems to me that it is an arguable question how somebody did or didn't respond to that kind of pregnant statement allegedly made at a meeting of a board of directors, none of what you have said goes to the admissibility unless I peel it all back and say I made a wrong ruling on the question to Mr. Boucher. I don't think I did but if I did I am going to adhere to it anyhow.

We are where we are and I am not going to reconsider the whole case every time something else comes up. You have given me a memorandum and I will be happy to read it and rule on it. I want you once and for all to tell me now does Mr. Boucher wish to take the stand

and acknowledge the transcript as correct or does he not wish to in light of the ruling I have just now reaffirmed.

MR. MALONEY: Mr. Boucher would be prepared to take the stand and say there was a discussion and while he has no present recollection, he will not deny a discussion occurred.

THE COURT: That is not the same. If the tape shows it did occur then I suppose the Government is entitled please sit down, Mr. Arnoff. You may talk to Mr. Maloney but not to me.

MR. MALONEY: Without calling Mr. MacKenzie, knowing what they know about Mr. MacKenzie?

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THE COURT: Look, that is another question. I haven't read your memo. I don't know whether they can do it without calling Mr. MacKenzie or not. I am listening to you. I am sorry I used the recess doing something other than reading your memo. But I can't read every memo the second it is fired at me. I haven't read it yet.

You have gotten all this business in about telephone calls to South Africa and what Mr. Boucher would or wouldn't say. None of it, as nearly as I can make out, relates to the subject of your memo. If you want me just to read this memo and rule on whatyou present in it I will do so.

But you are raising all these collateral things that either obviate the purported questions in your memo or change them and I am trying both to stay patient and to cope with them. I don't think I want to cope with them. I am staying patient. I will hear you all on the whole business on Monday.

MR. ARMSTRONG: Your Honor, with I hope not much risk, may I just add one statement, and that is I think your Honor is under a misapprehension as to an offer that Mr. Wing made with respect to a collateral part of this, namely, will Mr. MacKenzie be brought here.

Mr. Wing said he would bring him here. What he means, your Honor, is that he will use the power of

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the Government, insofar as it reaches to South Africa, to have him brought here, but if Mr. MacKenzie is to be brought in, according to the Government, it will have to be at the defendant's expense.

I just wanted to say, your Honor, that that as a practical matter is impossible, and we contend that a statement like this, for reasons other than what Mr. Maloney said, that a statement like this coming in through a tape recording, where the man who made it has made a conflicting statement, and everyone knows he has made a conflicting statement, and where that man is unavailable, I think that should also bear --

THE COURT: What Mr. Wagner said, with all respect to all of you, didn't conflict at all with what I understand this tape is for.

This tape is to show that he said something at that meeting. Now, if he would today by telephone or television say something else that doesn't change the fact, if it is a fact, that he said something at that meeting.

Whatever he said may have been mistaken, may have been misconceived. You can argue all that. The only question is whether I am to allow into this record a recording of something he allegedly said at that meeting, and I don't think Mr. Wagner's telephone call, again,

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with deference, has a single thing to do with that.

MR. ARMSTRONG: I am just simply saying, your Honor, that in addition to the relevance that the statement may have, if any, as to Mr. Boucher's state of mind, the jury can't help but conclude that that was the view of that individual, who was, after all, a very important member of the King Resources group at the time, and I think it is an unfair and prejudicial implication to allow the jury to feel that that was his view when in fact he now says that he did not hold that view.

That is my point.

THE COURT: I am not sure I follow that. If somebody says something at a board of directors meeting what's wrong with allowing a jury to infer that he meant it?

MR. ARMSTRONG: There is something wrong with it, Judge, if the man isn't called.

E COURT: We have heard a lot of things that people are said to have said.

MR. ARMSTRONG: It is inconsistent, for one thing.

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THE COURT: But you have allowed into this record all kinds of things that people are said to have said at board of directors meetings, and I have assumed throughout that if somebody said at a board of directors meeting "Mr. King hasn't paid up" he wasn't just saying that because it seemed like a good thing to say, I have assumed that the jury has been assuming that he not only said it, but he meant it and believed it, and this record must be full of errors that nobody has objected to based on the theory you are now presenting to me.

Imust tell you that the jury and I both are inferring frequently that people who said things at board of directors meetings or at their weedings or lots of other places meant them. They could have been wrong or lying. One doesn't know that. But it is terribly late in a 20-day-old trial, with lots of statements of that kind, to suggest what you are suggesting.

Now, if you are seriously making that suggestion, you use part of your weekend getting up another memo that says why I ought to instruct a jury and how that they mustn't infer infer that something somebody said at a board of directors meeting

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reflected what he believed unless he is now brought here to be cross examined. I take it that is the proposition you are now putting to the court. I think it's wrong.

MR. ARMSTRONG: No, it's a specific proposition, your Honor. I am simply saying under circumsances where a statement is made and where both the government and the defense know that the witness doesn't hold the view -- when I say "doesn't hold the view," I mean he now says he didn't mean it in that way --

THE COURT: Listen, I listened to Mr. Wagner and the record will show what he says. When it is typed up you read it to me again.

MR. ARMSTRONG: Your Honor, I am going on my discussions with Mr. Wagner, not on the precise words as they came out.

THE COURT: Look, that is not very cogent for me. He got up -- he is a lawyer and he was speaking to a judge and I assume he measured his words -- and he told me what he now says the man said to him on the telephone. I believe it is something different from what you now say he said to you the man said to him on the telephone.

And whatever you and he say the man said on the telephone, it must begin to appear to you

that this kind of account is not very cogent or reliable for me. However, if youread it to me and I am utterly mistaken at this hour on this day I may have to reconsider. The telephone call that Mr. Wagner made, however expensive and exotic, doesn't cut much ice with me.

Now, if Mr. Wing is prepared to concede, as you suggest he knows, that Mr. MacKenzie has told him that what was said by him on that tape did not reflect what he then believed I may be driven to instruct Mr. Wing to put that on the record.

Have you been told that?

MR. WING: Absolutely not, Judge. I never questioned MacKenzie specifically about what he said at that meeting, absolutely never.

THE COURT: And you so represent to the court?

MR. WING: I do.

THE COURT: Look, the things that he said to you in telephone conversation, gentlemen, are not going to be significant for the ruling that you have asked me to make. I will read the memorandum and if there are any grounds in that document better than what you have given me I will exclude the tape.

But as things stand now, if you haven't drawn up your heaviest artillery this afternoon, you better prepare to cope with that tape.

MR. MALONEY: Your Honor, I would like an official request on behalf of defendant Boucher that the government produce MacKenzie. He has not got the funds to bring him here from South Africa.

THE COURT: Your request is denied. I have had a request from you in the past for daily copy and I told you the basis on which I would consider such a request. Your client felt unable to supply that basis and I am not, at five minutes or ten minutes after 5 on a Friday afternoon, going to take an oral request of that nature respecting a witness at that distance in the circumstances as they appear.

See you Monday morning, gentlemen.

(Adjourned to June 28, 1976, at 10:00 a.m.)

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WITNESS INDEX

Name	Direct	Cross	Redirect	Recross
John McCandish King (Resumed)		3791	3885	

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UNITED STATES OF AMERICA

vs.

JOHN M. KING,
A. ROLAND BOUCHER

New York, June 28, 1976,
10:00 a.m.

Trial resumed.

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(In the robing room.)

MR. MALONEY: Judge, I 'm really in here to ask for a little assistance and guidance for the court and a few minutes, if your Honor will be patient with me. The defendants, as I understand, will rest this morning, there is only a short recess after Mr. King. I believe the government tends to put in after a lengthy chain of possession a few lines from an all-day board meeting on a tape on the theory it is admission by silence on the part of Boucher at a very heated all-day baord of directors meeting. We think it is of marginal relevance and not proper rebuttal but, more significantly, this discovery material was laid on the defense some weeks before trial -- I don't know when Mr. Armstrong got them but I accept the responsibility once they were in the handsof the defense -- they

A 1337

consist of four hours of tapes, your Honor, some of which didn't have any continuity. You would be listening to a portion of a side and all of a sudden it would be a different meeting. After the defendant got off the stand we are served with this transcript, only a few lines which are being offered, and if your Honor would listen to the few lines you would find them so garbled you wouldn't find it necessary to go into this whole magilla we are about to go into.

Your Honor, 10 after 10 Sunday night the government served us with another thick transcript, which is the rest of the meeting. The tape breaks three pages after this admission, alleged admission by silence, and we have got yet to listen to the test of the meeting which is going to take us hours to listen to, your Honor, because we are dealing with admission by silence and we have to find out did Boucher make any reference back to this in any part of the discussion.

We submit because of the lateness of the discovery laid on us, the basic unfairness and the way this is going to be heightened in the trial, on a basic issue of admission by silence which you may not even hear, in fairness to the defense we think it

A 1337A

should not be put in.

MR. WING: Your Honor, the defense had a month before trial, all of the tapes including the tape which Mr. Maloney said was laid on him last night at 10 o'clock. It is true the tapes that we gave them were copies of the original tapes which were in the custody of the court in Denver and which we now have in our possession and are prepared to present. And because of that, apparently, we had nothing to do with it but apparently they would run one tape out at a board meeting and that happened at this particular one, and they started up with another tape, apparently.

We were only going to prove the portion of the board meeting surrounding the statement that Mr. McKenzie said and going on past it for such time as Mr. Boucher comes in and makes comments about various things but no comment about what Mr. McKenzie said and we thing that is more than sufficient to demonstrate the government's position that Boucher didn't say anything because there was nothing that he could say and he agreed with it. In any event, in addition to the fact that they did have all this material substantially in advance of trial, during the trial When Dr. Frederickson testified or before he testified,

A 1337 B

I guess, we gave them all sorts of material we got from him and including a notebook that he had of notes that he took at board meetings, and those notes included, your Honor, pretty much what is on the tape about this very thing, and I know Mr. Arnoff specifically could read them, and I think there is no basis for excluding them on any kind of surprise ground or lateness of delivery ground. We have no objection if they want to play the rest of the meeting. We don't think it is relevant and, to the best of our knowledge, there is nothing on there which Mr. Boucher contradicts or makes any fefutation about McKenzie's statement about the Arctic being worthless -- not worthless, at the price was ridiculous.

If you go on the kind of theory they are proposing you would have to say, "Well, you don't have a tape of what Boucher may have said to McKenzie when he stepped out of the meeting or two days later, and I don't think that's the kind of thing contemplated.

THE COURT: You represent there is nothing on the tapes at any later point where Mr. Boucher addresses this question or deals with McKenzie on this subject.

MR. WING: Yes.

THE COURT: I take it you haven't found

A 1337 C

anything either?

MR. MALONEY: No, your Honor. I haven't listened to the last half but I'll take his representation now. As responsible counsel I should have gone to listen to it.

The very next sentence, your Honor, which I'll tell you whenyou listen to it you will find out it is not audible, it is ridiculous. You have to listen four times.

THE COURT: Let's get past that. I have instructed counsel over and over again not to tell me to listen to things four times but to get together with each other and listen to things four times and I have found that a lot of debate disappears after that because members of our bar listening together are able to stpulate that a transcript is a substantially accurate production in words of what can be heard on the tapes. Where there have been disagreements which have turned out to be very minimal in those cases, I have put the disagreements to the jury. I don't think some elderly judge, with facing hearing, should decide what can be heard on tapes when young, energetic lawyers have disagreement about it. Then it becomes a jury question.

A 1338

I want you tell me on this record, having listened to these, whether you disagree with the transcript the government has given you and, if so, where you disagree with it and not tell me if I listen I am going to have trouble hearing. I always have trouble hearing, but if I listen long enough I would hear it and I have done that, and having done that I have concluded that it is not an obligation of the trial judge but an obligation of the lawyers working together. So far that has worked.

MR. MALONEY: Your Honor, the only part of the transcript that I have listened to is about three or four pages before this and three or four Pages after it. The reason for that is just physical opportunity to do so.

Counsel served us with this Friday or Saturday, with that particular portion he had finally cleaned up. I have listened to that portion and that portion appears to be substantially accurate as to what's on the transcript with the one caveat, I submit, your Honor, the very words in question are garbled, not because of the machinery but there are two people talking at once on the very issue here of whether is an admission by silence.

A 1338A

THE COURT: I don't understand you and I want to understand you. Is the transcript the government has given you accurate or not.

MR. MALONEY: Substantially accurate, your Honor.

THE COURT: Wherein is it inaccurate?

MR. MALONEY: I represent to the court that the word "ridiculous" -- co-counsel -- Mr. Armstrong -- think they can hear it but I haven't. That is how garbled it is.

THE COURT: Is that the ony word you have trouble with?

MR. MALONEY: This very issue is garbled on the tape (indicating).

THE COURT: All right. Then I'll tell that to the jury and they can hear it two or three times or four. I don't want to decide it and I am not going to decide it. I don't have to tell Mr. Armsrong agrees or disagrees with you.

MR. ARMSTRONG: Your Honor, even though this is only offered against Boucher and I think there will be an instructio that it has no relevance to the defendant King, and I understand Mr. Wing is not offering it for that, he was not at the meeting, I would

A 1339

like to point out this is the transcript we got a few days ago. It is 54 pages long. On it it represents a tape that was given to us as one of 10 tapes with 40 hours on them. If you listen to it, this is -- three or four pages on, your Honor, there is a break without any indication of any change. The part after the break is an entirely different meeting, so that in rerecording it, apparently, on the tapes, what they did was go right from this meeting into this meeting with no indication at all of a change.

When we tried to listen to this thing it is totally confusing. King isn't at the meeting and neither is Dixon and they are both carrying on at this point in the conversation.

We attempted to make a transcript of this, your Honor, when it was given to us four weeks before the trial date scheduled in May. I had a secretary sit down to try and make a first draft and it took her four hours to do 15 minutes of the tape. At that rate it would have been 160 hours of time before we would have gotten a transcript just to start working on.

As I say, they are garbled, there is no indication when the meetings are. You can see here,

your Honor, it picks up right at the beginning and doesn't even show that there is an opening to the meeting. You don't even know you have the beginning. There is a tape off for approximately 33 seconds.

This is an amateur job done by a fellow with a little cassette on the table. We have talked to him and he indicates they did not stop the conversation when they changed the tapes. The tapes malfunctioned for one entire meeting and under the circumstances we were absolutely unable to make any kind of meaningful review of this gibberish that we got.

Now for the first time we were given this transcript a few days ago and it was represented to us as the meeting. I called Mr. Wing over the weekend and asked him about this break and whether he contends King is at the meeting, and he conceded, although he hasn't had a chance to review it, it didn't seem likely and he was waiting for the original tape to come in from Denver. It came in finally last night and now we get another thick stack of 50-some-odd pages of the meeting, what they say is the meeting, after this time.

THE COURT: Now you have got the Denver thing and you can listen to what follows the part that

A 1340 G

A 1340 A

Mr. Wing wants to put in.

I know you have been working hard, but you are not going to succeed in having it not put in because you haven't listened to the Denver tapes. If you want to adjourn this so you can listen to the rest, I will give you the afternoon off to do that.

As to whether the cassett is on or off -- I listen to a lot of witnesses who tell what happens at various meetings and I know their attention wanders from time to time, they misheard, sneezed, and a lot of other things happened. That goes to the credibility of their testimony, not to whether I will receive it. The same with the cassettes. You can argue how badly it was done. I assume Mr. Wing is going to have the witness here who played these cassettes and you can cross examine on it. It will go to the weight of the evidence but not to its admissibility.

MR. ARMSTRONG: Your Honor, I simply raise it to emphasize the last minute nature of the offer when the government has had this for a long time and to show your Honor the fact that we just haven't had a chance to meet it.

As far as King is concerned, I think it is very relevant to focus on what the nature of this

A 1340 B

proof is. It is a statement by Mr. McKenzie which incidentally, your Honor, in it --

THE COURT: May I interrupt you. Why am I hearing you at all when it is understood it isn't being received in --

MR. ARMSTRONG: Your Honor, I think we have a Bruton problem as far as the tape is concerned. If this in fact is an admission -- it's a very, very arcane kind of construction Mr. Wing has here -- he says because Mr. McKenzie in the heat of an argument about a lawsuit against Consolidated Gas & Oil comes out and speaks about his problems, and his view of a price in a negotiation that he had nothing to do with because he says and because Rowland Boucher atthat time doesn't say anything, then it is an admission by Rowland Boucher. If it is an admission, your Honor, it affects the transaction which affects both defendants, and if that's true he should have had a severance and had Mr. Boucher tried separately because it's a statement by Mr. Boucher, he says, affecting the very issues in this case.

Actually the statement is a hearsay statement by somebody who is in South Africa whom I now have talked to, your Honor, and who says if he said

A 1340C

that that he was out of line. He saysd that his view was --

THE COURT: Please. I don't want to go into your telephone conversations any more. I have heard about it.

MR. ARMSTRONG: I checked with him, your Honor.

THE COURT: I don't care. You are just a lawyer after all and none of us is God. You can't call people up and keep bringing me reports by you and your colleague about what soembody in South Africa said on the telephone.

MR. ARMSTRONG: I'm just saying, your Honor, if as a matter of practical fact this jury si going to be presented with a statement from Mr. McKenzie who is in charge of the Calgary office as tto his view of what the true value of this contract was, which isn't really what he was saying, then I think the government is obliged to call the man to do it and not get it in under the subterfuge of an admission by silence.

Just one other thing, Judge. If you look at it Mr. McKenzie himself in the paragraph says, "I know you don't agree with me." We don't know what was going on there. That's an indication he was not

A 1340 D

receiving acquiescence in what he said and because of the fact the nature of the tape, it's different than the usual tape. It is an admission by silence. All Rowland Boucher would have to do in order not to have it admissible is to say "Drop dead," or "You are wrong." That's all he has to do, and therefore the tape, I submit, since you don't have a witness who can testify to the whole thing. The tape has to be absolutely complete to show Rowland Boucher did not in fact do that, particularly when you have an indication on the tape by Mr. McKenzie himself that he is speaking in opposition to somebody and he is talking to Boucher shortly thereafter.

Under those circumstances, also, your Honor, I submit that it is absolutely necessary for the entire tape of that meeting following the statement made by Mr. McKenzie to be thoroughly examined, if your Honor decides --

THE COURT: By me?

MR. ARMSTRONG: Not by you, your Honor, no. I'm just saying the whole meeting has to be not only gone into but it has to be shown that that tape is complete for that whole meeting because it can't be an admission by silence if in fact the tape does not

A 1340 E

reveal that Boucher was silent.

MR. WING: If Mr. Armstrong is through, your Honor. First, Bruton, as I recall it, has nothing to do with admissions which don't implicate the other defendant, which I don't think this does.

Secondly, I don't think the statement that you have to have everything is necessary at all. It is quite clear from what's on the tape and what is audible, and we represent quite audible, on the tape, McKenzie made his statement and Boucher said nothing about it. Boucher did come in and talk about other aspects of this thing. What was going on was an argument or a dispute or a discussion as to how they ought to proceed with respect to Consolidated. Consolidated had said to King Resources, "We are offering this proposal. You accept it and we don't file a lawsuit. You don't accept it, we file a lawsuit."

Their proposal was they get all sorts of money which in fact would wipe out their obligation.

McKenzie was of the view, and it is clear on the tape and transcript, that they should go to court about it because Consolidated claims were absurd.

Boucher was saying or opting for the view we should settle it. That's clear. To the extent

A 1340 F

there is a reference, that's what the reference was to. It's quite clear from playing the tape and reading the transctipt that's what they are talking about.

THE COURT: Is anybody going to testify about this meeting other than the tape was played and this is what it showed?

MR. WING: Depending on what happens, we have another witness to testify about the meeting.

THE COURT: To testify to what effect?

MR. WING: About what got said by Mr. McKenzie.

THE COURT: And what didn't get said by Mr. Boucher?

MR. WING: Yes.

THE COURT: Why do you say this depends on what happens.

MR. WING: I don't know what's going o happen on the cross examination of Mr. Wade who is going to be our witness to authenticate the tape. The tape is absolutely the best evidence and contrary to Mr. Maloney's suggestion it is quite clear what gets said and quite clear what doesn't get said. Boucher comes in, a couple of pages after McKenzie's statement

A 1340 G

and response. He is the first one I think who does respond. I don't know where the thing is but he responds and talks about something else. He doesn't make any statement, any reference to McKenzie's claim that the price is ridiculous.

MR. ARMSTRONG: He left the meeting and wasn't even there for the whole thing.

MR. WING: He was there for this part of the meeting and he is the man who is in charge of the tape.

MR. ARMSTRONG: He can't testify Mr. Boucher in the board meeting didn't some time later in that meeting address himself to the particular issue and say that he disagreed with Mr. McKenzie.

A 1340 H

MR. MALONEY: Your Honor, in the final analysis --

THE COURT: Mr. Boucher might have his memory jogged by this too. He is here. He has taken the stand.

MR. ARMSTRONG: He says he doesn't recall, your Honor.

THE COURT: But people sometimes have their recollection refreshed.

MR. MALONEY: Your Honor, he will not deny the accuracy of the relevant portions of this tape at this point in time. He would have an explanation why he might not have responded on that tape.

But what I am saying to your Honor --

THE COURT: I think that's very important to me. If he won't deny it and he was there and he may have an explanation, aren't we playing with drawmen? Why doesn't he get on the stand again, he certainly was on the stand a ling time, and give his explanation?

MR. MALONEY: If that will end the issue, your Honor --

THE COURT: It won't end the issue.

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It will add to the illumination that we are offering the jury. He is certainly entitled to get on and say, "Well, I didn't answer and I didn't think there was any need to answer this nonsense because of this, that and the other thing," and I will certainly allow him to do that, but that doesn't constitute a ground for excluding the tape it just adds to whatever information you are going to give the jury. He is permitted to do that.

MR. MALONEY: I want to respond to that in a moment, your Honor.

The basis for putting this in has to be based on the last three questions of Mr. Boucher on the end of his cross examination. That is the only basis for this rebuttal. He said in answer to those kinds of questions, "I don't remember and I don't know," and he didn't. Now when he has listened to the tape, having had his recollection refreshed, I would submit the government cannot put this in as rebuttal if he gets on the stand and does admit the answers to the particular questions that were being put to him on cross examination.

THE COURT: If you want to put him on the stand right now and have him testify that McKenzie

A1340J

said those things at the meeting and he didn't respond I will consider that and I might in that light exclude the tape. I kept asking you this on Friday and I must say you were not clear and unambiguous about what you wished to do.

MR. MALONEY: Your Honor, I hadn't heard the tape then.

THE COURT: All right. If now, as a result of the weekend, you want to put that on through Mr. Boucher I may well allow it.

Do you wish to do that? You may do it as soon as Mr. King gets off the stand. And then I will consider whether we need to hear the tape at all.

MR. MALONEY: All right, your Honor.

MR. ARMSTRONG: You are going to leave the jury with the inference, your Honor, that Mr. Boucher was not telling the truth to Mr. King.

THE COURT: Wait just a second, Mr. Armstrong. I cannot be backing and forthing this way and you are not Boucher's lawyer. If Mr. Maloney, who thus far has not shown any trace of incompetence, makes a judgment that he wants his client to do X and you think it is going to make his client look bad I

A 1340 K

don't think you have much standing. But you can talk to Mr. Maloney about it. That is a trial strategy problem, not a ruling on the law problem.

Now, there it is. If you want to put Boucher on the stand and he wants to deal with this I will be very much inclined to consider excluding the tape with all the botheration it involves. If he doesn't wish to do it that way, I will listen to the tape if you are telling me it is garbled to see whether it is good enough to put before the jury I think you are going to lose on that since your disagreement is about three words, and if that's garbled, the way tapes go in this courthouse, then we would never hear another tape, which might not be a bad idea.

In any event, I will do it if you think it is a useful employment of the court's time. But as soon as Mr. King is through you better notify us on where you stand on this.

MR. MALONEY: I will, your Honor.

THE COURT: Does the government want to be heard further on this?

MR. WING: No, your Honor.

THE COURT: All right. Let's proceed, gentlemen.

A 1340 L

A He was a man who disappeared --

Q No, no. What was his function?

A Excuse me. He was, I guess you would say, and aide to Mr. Vesco.

Q All right, fine.

A And he had caused two other creditors to join the IOS company's in Colorado and filed a petition in bankruptcy against Colorado Corporation, which as you probably know we successfully resisted until 1975, when the company was in fact adjudicated a bankrupt.

Q Now, sir, have you ever been indicted for any crime prior to this indictment?

A No, sir.

MR. ARMSTRONG: I have no further questions.

MR. MALONEY: I have none, your Honor.

RECROSS EXAMINATION

BY MR. WING:

Q Mr. King, did you tell us on Friday that Mr. Dingwall's conclusions were wrong about the profits that had been made from the sales to the Fund of Funds?

A As I interpret profits, yes, sir.

A 1340 M

Q And did you tell us that they were wrong because he left out in his calculations certain costs, such as overhead, geologic studies, things like that?

A Yes, sir.

Q Mr. King, isn't it a fact that the King Resource records, the books called turn-key ledgers, itemize according to customer and according to sale the cost to King Reosurces, the price that King Resources gets when they sell a property to somebody else, and the difference, which is recorded as somesort of profit?

A No, sir.

Q That isn't a fact?

A That is not a fact -- in the context that you and I have described it.

Q Mr.King, showing you Government's Exhibit 2E3 in evidence, which is headed "Turn-Key Sales and Cost Analysis, U. S. Book, 3 of 3, December 3131, 1970," and under the tab it says "Arthur Lipper Corporation," there is a prospect referred to as South Lake. Are you familiar with that?

A No, sir.

Q It indicates, and it says in the middle of the page, "Turn-key cost of sales data, estimated," and then an amount of money under "lease" and an amount of money under "Drilling"and under "Completion" and "Total."

Am I correct in stating that would be at least on on the King Resource records the total of those particular costs?

A Of those three costs, yes, sir.

Q Then there is a column called "Net Cost Amount," which also totals those costs and comes out to the same figure?

A I'm trying to find out whether it relates to how you balance those two numbers.

Q They are the same.

A I realize that but why?

Q All I am asking, does the book --

A 1340-0

A They are exactly the same numbers, yes, as the estimated.

Q Is there another column headed "Prior Year Cost" which listes cost for drilling, lease, completion and totals that?

A Yes, sir.

Q Is there a column "Estimated Net Profit"?

A Yes, sir.

Q Underneath that does it state "Total contract $75,435"?

A Yes, sir.

Q That would be the estimated net profit?

A Yes, sir, under these turn-key contracts.

Q Up above is information about the particular property, spud date, contract date, the county and various things like that?

A Yes, sir.

Q Does this prospect apparently continue on over to the next page, where there is a reference --

MR. ARMSTRONG: Your Honor, does Mr. King intend to read the entire document to the witness? Can't he simply let him look at it and ask him a question?

MR. KING: That's just what I'm doing.

Q Is there a reference there to the prior year profit/loss, with a number $68,261?

A Yes, sir.

Q And presumably that would be a profit because it's not in brackets?

A Yes, sir.

Q Basically, Mr. King, do these records record properties according to customer, do they set out certain costs that King Resources had with respect to that particular property and do they set out the profit with respect to that particular property as measured by deducting those costs listed here against the sales price?

A These costs listed here, yes, sir?

Q And they don't have in these records general overhead, do they?

A No, sir.

Q These records, these turn-key ledgers, set out that kind of information, that is certain costs, your sales price to the customer and the profit based on those costs for all your customers, right?

A Not the profit. The profit prior to the overhead, the abandonments and all the rest of it.

Q The word "profit" is used in the record, is

A 1340 Q

that right?

A That's a mechanic word, yes.

Q The word is "profit"?

A Within the limit defined you have just put because of the three items only considered.

Q Isn't it a fact, sir, that nowhere in the King Resources records is there any location by customer or by property of any other costs that might be attributable to any particular sale or any particular customers.

A In history there were. Originally when we started out and we were very small it was physically possible to break it down by prospect, by individual deal, by individual customer. As our company grew and became so large, and we went into more sophisticated computer systems and we went into the turn-key business as opposed to doing drilling just for an individual and charging h im the exact cost, we found that we could save money for him and us by doing that. Then we went into a system where we only analyzed for the purposes of a specific lease the third-party services, those things which in effect were paid to other people as our costs, and we took our overall overhead gropu, namely, the overhead itself, cost to

A 1340 R

personnel, offices, operations, cost of geophysical, costs indigenous to inventory system, that entire family of costs was thrown into a pool and allocated at year's end by the auditors against the gross profits that came out of here to arrive at our net profit.

Q I appreciate your telling us why you didn't allocate these other costs but am I correct the answer to the question that I asked you is that King Resources didn't allocate any of those other costs to any particular customer or any particular property?

MR. ARMSTRONG: I object to the form of the question and ask the first part of it be stricken.

THE COURT: Overruled.

A I think that in some instances on some projects, depending on the nature of the customer where we were not doing turn-key work the answer to your question would be no.

In the instance that you describe here, things resulting from those turnkey ledgers we didn't keep an allocation specifically back to that customer.

Q In other words, there was no King Resource record that allocated a percentage of your salary to a sale to the Fund of Funds, right?

A There might have been on those projects

A 1340 S

that would relate to where we were working for them at cost. I believe there would be, yes, sir.

Q There would be?

A Yes, sir.

Q What records are those and where are those records?

A I do not know. They would be in the accounting department and in the computers.

Q Isn't it a fact there are no such records, Mr. King?

A I have no knowledge that there are not.

Q Did you ever see any?

A No, sir.

Q Isn't it a fact that Mr. Dingwall, or anybody else who attempted to figure out the profit that King Resources was making on its sales to the Fund of Funds could only go as far, in terms of getting the cost allocable to specific properties -- could only go as far as the information that was in these turn-key ledgers?

A No, sir.

Q Where else, what other records, Mr. King, didKing Resources of the Colorado Corporation maintain that had any allocation of any other costs?

A 1340T

A It is a typical accounting structure whether you take the entire overhead operations of the company and allocate it on a dollar-managed basis as cost indigenous to specific prspects that underlie a turn-key prospect such as you have in your hand and every accounting firm follows that and Arthur Andersen follows it --

Q Excuse me, Mr. King, I didn't ask you what was typical. I asked you what other records exist.

A All those records exist in King Resources Company.

Q I asked you --

THE COURT: Mr. King let me just ask you. If you wanted to compare the profitability of the business with one customer against the profitability of the business with another customer would you have to do that allocating?

THE WITNESS: Yes, sir.

THE COURT: Why?

THE WITNESS: Because you can't isolate a specific prospect without taking geologic research cost into effect, for example, and say here is a lease that has been purchased or $10 and sold for 100 and results in a $90 profit without taking the incremental

cost of perhaps $30 that caused you to want to buy that $10 lease in the first place, and these records do not reflect that cost.

THE COURT: What other records could Mr. Dingwall or anybody else go to into in order to compare the profitability of the sales to POF with the profitability of sales to any of your other customers? What other records would you use to refine that kind of comparison.

THE WITNESS: He could do it in one of two ways: He could actually take the origins of the prospects they drilled and the origins of the leases that were acquired and go to the basic cost buildup that related to the leases which are in the computer. Or in the alternative, if he wants to simplify it, which would be far more reasonable, it is to take the total cost pattern with respect to the total geologic research and allocate it, which most accountants do, on a dollar-volume-managed basis across whatever prosepects you are engaged in. By the way, when he did that, he would have -- I have seen it done both ways over the years -- your variance from one system where you actually try to pinpoint to the specific project every dime of cost, the cost of trying to do that is so great that the ulti-

A 1340 V

mate resutl varies 10 to 15 per cent.

Q What record would you go to to find that information?

A That would be in all of the Arthur Andersen work papers as well as in the King Resources compputers.

Q This is called a turn-key ledger. Is there a specific record called something else that would have that kind of information?

A I wouldn't have personal knowledge,lsince I'm not involved in runnign the accounting of King Resources, but I would have enough knowledge to know they would have to have those cost buildup data available to them to come up with their audit.

Q You were in court when Mr. Dingwall testiified, weren't you?

A Yes, sir.

Q Presumably at that time you came to the same conclusion you testified about on Friday, that the conclusions were wrong?

A I think they were not only wrong, I think they were unusual.

Q Unusual. What efforts, sir, did you make to get the record which would set it straight?

A That I did?

Q Yes.

A I didn't make any efforts, sir. I thought it was self-evident.

Q Isn't it a fact, Mr. King, that in Mr. Dingwall's schedule of the three-year summary of lease sales to the Fund of Funds, Limited and related costs to King Resources, Government's Exhibit 38L, that the last three pages set out the kind of cost that you were saying and been omitted and specifically commissions, general and administration cost, geological inventory, abandonment --

A Yes, sir, we could not do so with anything of the records of the company.

Q These are the totals with that particular kind of cost which is not broken down to customer anywhere else?

A No, sir. As I understand it he does not have to allocate in that fashion.

Q King Resources did not have to allocate in that fashion?

A Yes, sir.

Q They did?

A Yes.

A 1340 X

Q In those records which you can't name?

MR. ARMSTRONG: Objection, your Honor. He says they were in the computer and he has nothing to --

Q Have you been in the computer?

A Physically?

Q How do you know it's in the computer?

A We have the largest computer--

MR. ARMSTRONG: Your Honor, I'm entitled to a ruling, I think before --

THE COURT: Overruled.

A Have I been in the computer? No, sir.

Q How do you know it's in the computer?

A I have to rely on people like Mr. William Coffey, executive vice president of the company in charge of finance to be competent to know what is and is not in the computer as well as Arthur Andersen & Company.

Q Sir, I you told us that the board of directors of the various subsidiaries function independently.

A Yes, sir.

Q Can you tell me, Mr. King, did the board of directors of any of those companies authorize the transfer of $275,000 to John Necom back in 1970?

A 1340Y

MR. MALONEY: Just five minutes, Judge.

MR. ARMSTRONG: Just that this changes our order of witnesses.

(Recess.)

A. R O W L A N D B O U C H E R resumed.

THE COURT: Go ahead, Mr. Maloney.

REDIRECT EXAMINATION

BY MR. MALONEY:

Q Very briefly, Mr. Boucher, do you recall at the end of your testimony on cross examination by Mr. Wing you were asked three questions concerning a January 29, 1971 board of directors meeting? Do you remember that cross examination?

A Yes.

Q The first of those three questions, page 3272, was:

"Q Mr. Boucher, at that meeting wasn't there a conversation about the Consolidated Oil & Gas Arctic transaction when that was made back on December 6, 1969?

"A I don't recall, Mr. Wing."

Since that testimony have you had opportunity over the weekend to review certain transcripts of that January, 1971 meeting?

A 1340 Z

A Yes, Mr. Maloney.

Q Have they sufficiently refreshed your recollection as to that particular question and answer?

A Yes, they have.

Q What is your answer today?

A Excuse me?

Q What is your answer to that question today?

A Would you ask it again?

Q "Mr. Boucher, at that meeting wasn't there a conversation about the Consolidated Oil & Gas Arctic transaction, when it was made back in 1969?

A Yes, there was.

Q "Q Mr. Boucher, at that meeting didn't Mr. Neil McKenzie say to you and the other directors that in his opinion Consolidated Oil & Gas entered into the Arctic transaction without any kind of proper management assessment of the value of that deal?

"A Not that I recall, Mr. Wing."

Again, have you had an opportunity to refresh your recollection from those transcripts over the weekend?

A Yes, I have.

Q What would your answer be today?

A 1340 AA

A The answer would be yes.

Q The last question:

"Q Isn't it a fact, Mr. Boucher, that at that point Dr. Frederickson said, 'You say the price is too high,' and did McKenzie say at that time the price was ridiculous and isn't it a fact, Mr. Boucher that you said absolutely not one word to refute that particular statement by Neil McKenzie, the head of your Calgary office?

"A I don't know, Mr. Wing."

MR. WING: I think Mr. Maloney left out the front part of the question. I'm sure it is in - advertent.

THE COURT: Did you leave out any part of it?

MR. MALONEY: No, your Honor. The other question was never answered. There was some colloquy here.

THE COURT: You may answer the way it is put, and you may cross examine.

Q Have you reviewed the transcript as to that --

A Yes.

Q What would your answer be?

A Yes.

Q How long was that meeting, Mr. Boucher?

A We had been at it all day long, seven eight hours.

Q You had to decide that night --

A At 5 o'clock in the afternoon, Consolidated had told us they were going to file a suit if the settlement agreement was not accepted by the board of directors.

Q What had been happening to you personally before the meeting started, the eight-hour meeting?

A We had been at it continuously for the last four days. Fishman and I primarily were negotiating that thing with Consolidated.

Q How many hours before this meeting of the eight-hour meeting?

A It seemed like we had been at it 10 or 12 hours a day at least, if not longer.

Q Why didn't you respond to Mr. McKenzie, do you know?

A I wasn't concentrating on this particular aspect at that time, that's all.

MR. MALONEY: I have no further questions.

Q Something to that effect?

A Yes, yes.

Q Did Frederickson then break in and say something to the effect "You say the price was too high, is that what you are saying"?

A That's correct, yes.

Q And did McKenzie then say, "It was ridiculous"?

A I thought those were his exact words.

MR. WING: I have no further questions.

MR. ARMSTRONG: Your Honor, at this point I would like to object and move that the testimony be stricken as to the defendant King, the entire line of testimony be stricken as to the defendant King, because he was not there.

MR. WING: It is not offered against the defendant King.

THE COURT: It wasn't offered against him and I am sure you don't mean what you said. I am not going to strike it. If you are asking that the jury be instructed that Mr. King was not there and that this testimony may be considered only against Mr. Boucher, I will so instruct the jury, and I do.

MR. WING: If I can just ask a couple

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more questions. I was about to sit down when Mr. Armstrong reminded me of something.

BY MR. WING:

Q After that statement, Mr. Boucher, did you make some statements about the general problem of whether or not to accept the settlement without any reference at all to Mr. McKenzie's statement about the price being ridiculous?

A I think that's correct, Mr. Wing, but --

Q In other words, you responded to McKenzie's general comments but you made no specific reference to that particular statement by him that the price Consolidated paid was ridiculous, am I right?

A Well, when you say I responded to his general comments, what do you have reference to there?

My recollection of the tapes is that we went right on discussing the various pushes and pulls in the transaction.

Q Right, and you broke in and discussed from time to time those pushes and pulls, right?

A Yes, I think that's right.

Q But you made absolutely no reference at all to McKenzie's comment that the price Consolidated paid was ridiculous?

A 1342 B

A The thrust of the meeting was to get to that settlement agreement and arrive at some conclusions as to what direction we were going in.

Q I am not asking the thrust of the meeting. I am asking whether you said anything, Mr. Boucher, in response to Mr. McKenzie's statement that the price Consolidated paid was ridiculous.

A No, I did not.

MR. WING: I have no further questions.

REDIRECT EXAMINATION

BY MR. MALONEY:

Q Mr. Boucher, did Mr. McKenzie know about or was he privy to the negotiations of the sale between Consolidated Oil & Gas and KPC back in December, '69?

A No, he was not.

Q Do you know if he had any personal knowledge of the quality and the people who negotiated that sale for Consolidated Oil & Gas?

A I don't think he did, because we knew that Booth had vast experience in the Arctic.

MR. MALONEY: I have no further questions, your Honor.

THE COURT: Anything else?

MR. WING: Nothing further.

BY MR. WING:

Q Mr. Dippo, I am showing you Government's Exhibit 28A for identification. Can you identify that?

A Yes.

Q What is that, sir?

A It's a mechanical reproduction of an operating agreement dated September 28, 1970 between King Resources Company and Sun Oil Company, Limited.

Q Did it relate to the Arctic properties of King Resources?

A Yes, it did.

Q And did you sign that agreement, sir?

A I attested to the signature of our vice president at the time.

Q By "attested" you signed your name?

A I put my name on it.

Q Was a copy of that made and kept in the regular course of business of King Resources?

A Yes.

Q Was it in the regular course of business to make and keep such a copy?

A Yes.

MR. WING: I offer it, your Honor.

MR. MALONEY: Is counsel offering it --

MR. KING: It goes to Mr. King's credibility. I can't say we are putting it in --

THE COURT: For the moment it is being received only as it may bear on Mr. King's credibility.

MR. COLODNER: No objection.

(Government's Exhibit 28A was received in evidence.)

Q Mr. Dippo, does this document, 28A, contain a schedule listing the particular properties which King was selling an interest in to the Sun Oil Company at this time?

A I think the schedule reflects the properties which are subject to the operating agreement.

Q Are the properties reflected in terms of the particular permits that were involved, that is, the Canadian Arctic permits?

A I'm sorry. I didn't follow.

Q Does the schedule identify the particular Canadian Arctic oil and gas permits that are involved in this operating agreement, yes. It identifies them by permit number.

Q Does it identify them also by permit date?

A Yes. Now, that's the issue date of the

18 is granted in substance. Also 19 and 20.

Now, here again, since the same things have been used, I am not going to charge single versus multiple conspiracy, and I have already told you that.

No. 21 is granted in substance. The materials at pages 55 through 57 that are the same as the Government's that I deleted are likewise deleted here.

22 is granted in substance.

23, I don't give that kind of thing. After telling a jury that they have to be convinced beyond a reasonable doubt it seems to me to be a very self-denying thing to tell them they must not convict on mere suspicion or conjecture or speculation. So I don't use that language.

The substance of 24 and 25 will be there.

Now, I have already mentioned to them about charts in the course of the trial. If the defendants like I will repeat this.

Do you feel it is helpful at this point, your 26? If it is wanted I will give it. I just don't think --

MR. COLODNER: Yes, your Honor.

THE COURT: You do? Okay.

27 is denied.

28, I will charge the usual business about credibility. I won't put in that you can be impeached by

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jhrf 2

MR. ARMSTRONG: I take it that the so-called challenge of Mr. King on the stand with respect to what a fiduciary is and what isn't, insofar as Mr. Wing relates to its credibility, that also goes out.

THE COURT: Yes.

MR. MALONEY: Your Honor, one quick point. That famous tape which was offered or the business about MacKenzie, which was not offered for the truth of it, but whether or not he said the price was high in the Arctic, I take it Mr. Wing is not going to argue that he was giving expert opinion as to the price in the Arctic, simply that he said it and Mr. Boucher did not reply, because we don't have Mr. MacKenzie here to judge his qualifications as either an expert or his knowledge about the background of the COG transaction.

MR. WING: I don't know that I was going to say he was an expert.

THE COURT: You are going to rely on Dippo for that.

MR. WING: Right.

THE COURT: If you are not, then Mr. Maloney has no problem.

Miss White, while we were wasting time found a page in the transcript which I think I will just leave with

they need to bring a toothbrush when their deliberations start and so even if they hadn't asked, but they have, I would want to tell them at the end of the day what is in store for tomorrow.

I would like you all to talk together, and give me your views on that, and I will give them heavy weight.

Now are we ready?

MR. MALONEY: A couple of minor things, your Honor.

MR. WING: Yesterday, your Honor, Mr. Maloney asked if I was going to describe MacKenzie as an expert in referring to MacKenzie's remarks to Boucher and I said no. The fact is, in preparing for the summation, I think I am going to refer to MacKenzie in some of the terms used by Mr. Boucher when he testified as the man who headed their Calgary houses and one of the two men who got them into the Arctic. Mr. Maloney has an objection.

THE COURT: What is your objection, Mr. Maloney?

MR. MALONEY: My objection is, your Honor, that testimony about MacKenzie was admitted only as an admission by silence on the part of Boucher and not for the truth of it, and now by going into that kind of an argument, Mr. Wing actually is going to be offering it for the truth of that fact, that the price was too high.

hprf 3

THE COURT: I told you at the time, in whatever garbled way I put this, if we were going to start adopting a rule like that, we would have to go back through this whole enormous record and make rulings of that kind about all the things we have put in from directors meetings where nobody ever suggested a view of the kind you are now reasserting. There was no such limitation.

MacKenzie said it and a reasonable jury like anybody else might infer that whether he was crazy at the time or not, he meant it, for whatever that is worth and I will allow it on that basis.

Is that anything else?

MR. WING: There is one other thing that I think we want to stipulate before summations, your Honor. That is, Mr. Davidson who was Mr. Mecom's accountant advised us that Mecom dud use one steam rig in the period January to April 1968, on a particular prospect called Home Place, I think, which Mr. King testified about on his cross examination, and I have advised Mr. Armstrong about that, and he would like to have that stipulation before the jury and the Government is agreeable doing that.

THE COURT: Do you want to place it before the jury before you start summation or --

MR. WING: Before the jury at summation.

hprf 5

Connie Davidson, Mr. Mecom's accountant were called to testify again, he would testify that Mr. Mecom's steam rig was used on a prospect called Home Place leased or owned by King Resources during the period of time January 1968 through April 1968. Is that agreeable, Mr. Armstrong?

MR. ARMSTRONG: Yes, sir.

MR. WING: May it please the Court, defense counsel, ladies and gentlemen of the jury. There are a lot of different ways of stealing. There are a lot of different ways of lining your pockets,and the fraud, the deceit, the lies and the misrepresentations of these two defendants, King and Boucher about the Mecom sale and the Consolidated sale are a perfect illustration of how, if you have a fast tongue and a fountain pen, you can inflict far more damage than if you were a common thief with burglar's tools.

On the basis of the sales to Mecom and Consolidated, the Fund of Funds effected a revaluation, which you have heard amounted to an increase per share for every share of the Fund of Funds of roughly $2.58.

During the following seven months and seven days, when that fund was in effect redeeming, selling back to its shareholders, a lot more shares than it was -- excuse me, redeemed shares back then selling shares to new

shareholders, there was a net redemption loss, and if you take the number of shares that amounted to that net redemption loss and multiplied it times $2.58, you would find that that fund was out $18 million.

Please do not be blinded by the amount of money. It is a lot of money. But, that was a direct result of this particular fraud charged in this case.

On top of that, the fund and its 150,000 shareholders scattered all over the world, 3,000 of them American citizens, was out another $10 million that got paid to IOS or a subsidiary of IOS, the management company on the basis of that revaluation.

So, that is $28 million that is gone from the 150,000 shareholders of that fund, from their assets.

On top of that, during the period of time from roughly December 31, 1968 down through July, June, whenever it was that the fund just cut off people, cut off buying any natural resource interests, the fund parted with maybe $20 million or more dollars to King Resources.

What they were told by King Resources was just existing obligations, continuing obligations on their old interests but what the records of King Resources show in part, were new properties, which included among them by a remarkable coincidence the Bristol Bay property.

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That is the kind of loss that this case is about.

You may find, ladies and gentlemen, despite Mr. King's inability to answer questions such as when something happened, that he is a very smart, intelligent, articulate man and you may find, ladies and gentlemen, that he is one of the best con men you will ever see.

This case is a remarkably simple case. You do not have to be an expert in oil and gas to understand this case. You do not have to be an expert in anything except who is telling the truth about a transaction. Because basically what this case is about, is whether there were some side deals in connection with the Arctic sales, whether there were some side deals with Mecom, side deals with Consolidated Oil & Gas and whether these two defendants, Mr. King and Mr. Boucher lied deliberately to the Fund of Funds directors, Fund of Funds auditors about the facts of those side deals, about the circumstances of those side deals. That is all this case is about; whether these men told the truth, whether they violated the Eighth Commandment. That is all this case is about, and nothing else.

If you find, ladies and gentlemen, that they lied about either one of those transactions, the Mecom one or the Consolidated one, that is sufficient to convict

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on the charges in this case because the fund had to sell 10 per cent and Cowett said that and the Arthur Andersen man, Phil Carr said that, and they had to have it all and if they didn't have it, there would have been no revaluation.

What started as a simple case was made even simpler for you by the defendants because they took the stand and in effect, they refuted, they denied, they rejected what the Government witnesses said. And so, you have a situation where you have different stories. One set of people tell one story; the defendants tell another story. The two stories, ladies and gentlemen, they do not mesh, they do not go together, they do not fit together in any way.

And so, you start out knowing one fact for sure, and that fact is that somebody, somebody in this courtroom in the last five weeks, has gotten on the witness stand, taken an oath to tell the truth and deliberately lied to you. You know that for sure.

Your job, very simply, is to figure out who it was. Was it these two men or was it Raff, Marriott, Mecom, Lowry, and Hulsey and others.

Mr. Raff told you from the witness stand that he was promised that his property, uranium, would be sold

with King Resources."

Do you think it was?

However, Trueblood had a problem, you see, because he had to represent to Arthur Andersen back in May, when all that hoopla came out because of his statement, he had to represent that oh, no, there were no side deals. So he was kind of caught. You have to remember he is a chairman of a public company trading on the Amex. You have to be careful about what happens.

So instead of coming out and saying yes, that was the deal and King welched, didn't do it, Consolidated gets out of their payments another way. They file a lawsuit, seeking maybe $26 million, which is about twice as much as they owed under the contract, or in the alternative, rescission, reverse the whole deal and get out of it.

These were great sales. Look where all these sales wound up? Four down payments got paid and one other buyer paid one other installment.

Ladies and gentlemen, we have spent a little time in this trial on the why, why was this done, and I think if you remember the performance aspect and then you connect that up to those figures on

that chart right there you will know without any question, without thinking about it for two seconds, why this was done.

This company, King Resources, made money from the Fund of Funds like nobody ever made before. The biggest gold mine that they ever struck wasn't in the Arctic, wasn't any place else, but it was in Geneva, Switzerland, it was the Fund of Funds bank account. That was the best structure they ever saw. Even trueblood hadn't seen one that good.

And here they get $11 million the first year, constituting 36 per cent of the revenues, but 68 per cent, 68 per cent, of the gross profit.

The next year, $41 million comes in, constituting 39 per cent of the revenues, but that same money amounts to 64 per cent of their gross profits.

Now, do you believe John King when he tells you that the Fund of Funds was not their most profitable customer? Do you believe John King when he tells you that some other customer that he had who they made a million and a half on did a little better for him? Can you swallow that?

Do you remember that annual report, King Resources' annual report, not in Dingwall's chart?

You remember this annual report which showed the contrast over the five-year period? Is there any doubt what was going on? Is there any doubt why this was done? Figures like that don't come out of the air.

That was money. This was a customer. This was a customer that had no expertise in natural resources. They would do virtually what they were asked, and they had lots of money to spend and boy, did they spend it, and spend it and spend it.

And where did it go and what did it do, what happened because of it? Well, we know one thing that happened.

You can't really see that stock chart over there, but you remember the price of that stock tripled. And who just happened to be holding most of the stock? That man, John King, 2, maybe 3 million shares. Triple. Do you realize what that means in terms of dollars?

If you figure it all out -- the figures are all in evidence and I am not going to go through it -- if you figure it all out it amounts to maybe $30 million, maybe more.

Mr. Boucher testified about his stock.

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Sold a little off in the summer of '69 for a cool 3/4 of a million dollars. Nice appreciation. Good investment.

Told you about his options. Exercised some options. Paid $65,000 maybe. The market value of that stock at the time he exercised the options, around 1.3 million.

I will tell you, that is a good business, folks. That is really good. Is there any wonder they didn't want to lose that customer? Is there any wonder they wanted to do everything they could to convince that customer that they were the best, that they were going to give them the best performance ever, that no one would top them?

It's the same motive as the common burglar, plain out greed. But in this case there is no necessity here, no real need here, to do what was done.

You remember, ladies and gentlemen, that as 1971 rolled around and things were going badly for King Resources because, contrary to the testimony of some people at this trial, the company was doing badly because they lost their gold mine, they didn't have 40 million or 50 million coming in that year, they got shut off after a hard 14 million. They said they paid

might tell him that the letter came from Marriott.

And so what does King do? King calls up Marriott, calls up Marriott probably some time in March, and says, "You damn fool. Frederickson is not our friend. You have got to write another letter saying this was a mistake. You have to straighten this out. You are going to get me in trouble."

John King knew that letter was trouble. He knew -- he is a smart man -- and he was right, because it did get him in trouble, and that's why you are all sitting here and that's why he is sitting there.

Marriott took the deal that was offered to him. Sure, if we can get rid of this interest we will give it back to you and have the thing wiped out. And that's what happens. They give it back to Colorado Corporation. They have no other worries about the thing, that's it. It's done over a few-month period.

About May or June, when the bankruptcy papers are filed, and there is a tiny reference to the fact that maybe the money that was used for the down payment by Mecom came from some money from Royal Resources, Arthur Andersen starts sniffing around, starts investigating.

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They ask Boucher to give them a rep letter that he doesn't know anything about this other than what was in the bankruptcy documents, and for some reason, ladies and gentlemen, which can only be guilty knowledge, Rowland Boucher doesn't tell them about Marriott's letter and he doesn't tell them about what is in it, and he doesn't tell them that he got it, he doesn't say anything about it, and there is no explanation for that, ladies and gentlemen, other than the fact that Rowland Boucher knew he had to keep that letter quiet, he had to keep it under wraps, nobody could know about it, because the thing was being taken care of. They had gotten Marriott in line, he went along with the deal, he even wrote up this other letter to Frederickson basically saying that Government's Exhibit 1 doesn't exist, there is no evidence -- I forget what his letter says, but something to the effect that there was no evidence that there was any buy-back agreement. That's just what Rowland Boucher did.

Now, there is one other very significant peice of testimony in this case and that is the testimony about what happened at a directors meeting on January 29, 1971, because at that meeting, when they are talking about the Consolidated deal and whether

or not to agree to some settlement Consolidated had offered, Neil McKenzie, who you may recall was the head of the Calgary office, who you may recall, according to Loucher, was one of the two men that was really into the Arctic, had done a lot of field work in the Arctic, knew the Arctic, who was then a director of the company, Neil McKenzie made a statement about that Consolidated deal and he made the statement right in front of Rowland Boucher and everybody else, and that statement, ladies and gentlemen, was that in his opinion Consolidated Oil & Gas entered into the deal without any kind of proper management assessment of the value of that deal, and he said that "Any inspection of that deal that Consolidated entered into that board of directors has got to be subject to an enormous shareholders' scrutiny, if I was a shareholder, at that price, considering going prices."

And then Frederickson, another geologist, breaks in: "You say the price was too high, is that what you are saying?"

And what McKenzie says is, "It was ridiculous."

And, ladies and gentlemen, the fact that Rowland Boucher didn't make a murmer, didn't make a

peep about that statement by his No. 1 Arctic man, tells you more than anything you have heard in the last five weeks. It tells you that Rowland Boucher knew that the value of the Arctic that they represented to the Fund of Funds was not the fair market accurate value at all. It tells you that. And you may find that to be an absolute fact.

You may recall, just generally, that McKenzie was the one who in the fall of '69 was trying to sell some of that same acreage to some companies and we have in evidence several letters with his offer and you may recall I asked Boucher whether that offer boiled down to below $5 an acre and Boucher said, "Oh, no, it was up about $7.50," and then I got the figures from him on the blackboard and did a little division and it came out to four-something. I don't remember what the figure was. You may recall that. That was McKenzie. He is the man who knew.

Ladies and gentlemen, I am just about done for the moment. Under the new procedure, the old one used to be that the defense summed up first and then the government went, now they split it all up, we go, then they go, then we go again.

There are a couple of things that I

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signed by Arthur Andersen.

But comes the audit by Arthur Andersen, which they knew was coming -- unfortunately, Boucher doesn't remember this; it would have helped him if he remembered it -- he sits down, he sits down on January 20, 1970 with Hubbard. Lowry and Boucher sit down with Hubbard. Lowry is the general counsel Lowry is supposed to, according to the government's proof, know about the side deals. Lowry says these are legal, binding contracts.

Now, Boucher can't remember that conversation, but this document would indicate it happened. What does that do, even though he doesn't remember it? What does that say to you about him signing that rep letter down the road a few days later that they are arm's-length, bona fide transactions when he just heard his lawyer say so?

Unfortunately, he doesn't remember it. He doesn't remember the good things. But if he can't remember the bad things, oh, that's terrible, that's evil, he can't remember the bad things.

Then he sits down with Hubbard a few days later and there is a discussion about some portion of the rep letter. I don't want to misquote Mr. Wing,

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but I think he said in his argument this morning that there was some hesitation forhim, that is, Boucher, to sign the arm's-length nature of that rep letter. That is not Hubbard's testimony, but I am sure it wasn't done deliberately by Mr. Wing because I respect him too much—

The question was asked of Hubbard on cross examination. That's the accountant. We were discussingthe rep letters with him.

"Q Would it be fair to assume or infer from your memorandum that Mr. Boucher had no hesitancy or reluctance to sign off with respect to representations concerning bona-fide nature or arm's-length dealing between the parties concerning the Arctic contracts?

"A I certainly don't recall any reluctance along those lines."

That's it. There was no reluctance for him to sign that portion. It had to be another rep letter. We don't know what it was, but there must have been something in it.

As he tries to reconstruct it, Mr. Boucher, it may have had something to do with the man's financials, because he doesn't want to do that, it affects maybe buying from him in the future.

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Lowry re-signs -- I don't have the exhibit here, but there is an exhibit in evidence -- Tim Lowry re-signs a rep letter in April, '70, essentially saying almost the same as the other two rep letters that these people are indicted for, and Tim Lowry is supposed to put into writing already something with Marriott. He signs a rep letter in April, 1970, because as far as he is concerned, he may be wrong on the law, he still thinks these are arm's-length transactions. In April, 1970 he had Bill Fishman sign the rep letter on his behalf. All right.

Rowland Boucher signs another one in May, '70, essentially the same rep letter. He doesn't remember getting this, but it's in evidence, a handwritten note from Bill Fishman, counsel to KRC, saying he has reviewed it with TGL, Tim Lowry, and therefore it's okay to sign. So he signs it. He doesn't remember that. It would be helpful if he did remember it. But we know it happened from this document, a document we have put in evidence.

Let me go back and just spend three minutes on Trueblood. There is no evidence in this case to suggest that Rowland Boucher ever knew about any side deal with Trueblood and his sale, none whatsoever.

ladies and gentlemen, you just pretend that that speculatory section is full of Fund of Funds shareholders and sitting out there are all the people who lost money as a result of what happened here, all the people whose assets were withdrawn by payments in redemptions of this excessive value. That is the $18 million.

And, whose assets were drawn out by the $10 million performance fee to IOS subsidiary, whose assets were drawn out for further purchases from King Resources, and whose assets ultimately, in one day, ladies and gentlemen, one day, you may recall went from $11 a share to $2 a share. When that fund spun out its natural resource interest into a closed corporation, and the marketplace value, the price of those assets, not at $11, not at $63 an acre, but $2 a share. Think about those shareholders. They never talked with John King. They never knew John King. They had no idea what John King was about.

They thought the people running their fund would invest wisely and rely on people wisely and they didn't think that the people running their fund, whether they be the directors or the officers or the accountants would be defrauded by men like John King. But, you may find differently.

Mr. Armstrong said you can't question the fact that these men believed in the Arctic. Ladies and gentlemen, that is irrelevant. What counts is whether they believed in what they put down when they said those sales were good arm's length sales with no buy-back guarantee. That is what this case is about.

Whatever they believed the Arctic might be some day, high or low, is totally irrelevant. It is whether they thought that that price that was sold at, that $15 an care price -- excuse me, some people say not $15, it is $7.50 plus, you can add it up -- whatever that price was, whether they were representing that was a fair, accurate market value. The man who probably knew that area the best of all in the entire company, Mr. Neil MacKenzie, tells Boucher that the price was ridiculous and Boucher doesn't deny it. That is the issue in this case. Was that a fair representation of the market value. That is what the shareholders were entitled to, that is what they were trying to get.

Mr. Armstrong says why did Mr. Raff stay in the deal. It is simple. John King had the golden hammer over Mr. Raff. Mr. Raff needed John King. He needed money, he needed his business, he needed his friendship. That is why Raff stayed.

in evidence to the jury.)

Q Mr. Mecom, did you ever put in any bid on that Arctic contract?

A No, sir.

Q Did there come a time when that Arctic interest was assigned to the Colorado Corporation?

A I don't know.

Q Who took care of that for you, sir?

A Mr. Marriott.

MR. WING: I have no further questions.

MR. ARMSTRONG: May I proceed, your Honor?

THE COURT: Yes.

CROSS EXAMINATION

BY MR. ARMSTRONG:

Q Now, Mr. Mecom, back in 1969, you said that you were in financial difficulty.

A That's right.

Q That is on a cash basis, is that right, sir? I mean, there were plenty of assets.

A Obviously there were plenty of assets because the bills were paid and I still had most of my property, lands and drilling equipment. But my production went to pay the bills.

Q You paid off $90 million --

A $90 million plus. 90 was what it was supposed to be. By the time Signal Oil got through with it, I paid twice that for a few jets and a few other things.

Q And you are doing fine now?

A Well, I am making a living. I am not doing fine. I made five trips up here. You make me walk like a drunk.

Q Is that five trips up here, sir?

A Yes, sir.

Q To talk to the Government?

A So far I haven't got a check for that. I mean, I am going to, I think. I think I will. I hope so.

Q When was the first of those five trips up here to talk to the Government?

A Oh, I think about six months ago. I am not sure.

Q And we haven't had an opportunity to talk until now, right?

A No. After I gave -- testified, well, that was the end of that. I mean, it is all in writing. I didn't want to --

Q I am just saying, I just --

A No, you haven't talked to me.

Q When was the last time you spoke to the government?

A This morning.

Q That's Mr. Wing?

A Yes, sir.

Q This deal, the contract that you entered into on December 24th, isn't it a fact, Mr. Mecom, that the deal was that you were to supply your rigs and that the profit that you would get on those rigs would supply you with the cash to meet any obligations that you had with respect to the payments under the contract? Was that your understanding of the arrangement?

A It was my understanding. The only difference is it wasn't just the profit. I mean, whatever I get from companies that benefited by my drilling would pay not only profits, but cost.

Q Right. But in your testimony before the SEC -- do you recall testifying on September 30, 1974?

A Yes, sir.

Q You were asked at that time or were you asked this question, did you give this answer:

"Q What did Hulsey tell you would be the real

deal as opposed to Exhibit 20, that contract that was signed?"

That contract that you were shown was marked as Exhibit 20 in that proceeding. That is page 29.

"A I can't remember the details, but as I have told you before, my rigs were to pay for certain acreage and by drilling I would also make a profit on my rigs, I mean, the usual 20 to 30 per cent when you take a rig foreign."

My question is was there anything unusual about this deal, Mr. Mecom?

A I made them all my life. That's what I do for a living. Nothing unusual in my opinion.

Q This is an ordinary kind of deal that is made in the oil business every day?

A It is made today, it has been made. That's the way we get partners to drill a well. I don't have enough to drill a well, usually, but I have had some very unusual people for partners, but they have money they want to invest.

Q So that in the usual oil deal if someone comes in and drills the well the driller is usually someone with a lot of equipment and a lot of fixed assets but he is not the one who has the cash, is that right?

A Well, that's one way of doing it. There are two ways. Usually the driller -- not usually, but 50 per cent of the time the driller is a contractor who is paid a cost plus his profit.

The other way is the way I do it. I take -- I furnish some know-how, whatever else I have, to expedite the deal.

Q Do you recall when Mr. Hulsey met with you on December 24th whether you at that time -- did he have any documents with him of any kind other than the contract?

A This document here, that's all.

Q That's all?

A That's all.

Q He didn't have any maps with him or anything like that?

A I don't know. I didn't see them.

Q You didn't see any maps at that time?

A I had studied maps and studied the deal, logs, costs, other things.

Q You had previously studied maps, is that correct?

A Previously.

Q And you had talked to your geologists in

your organization?

A Geologists, engineers and tool pushers.

Q Tool pushers?

A They operate the rigs.

Q Could you tell us what steps you took to investigate this acreage prior to the meeting of December 24th?

A Tell you what?

Q Prior to the meeting on December 24th, sir, you talked about it with geologists, is that right?

A Yes.

Q In your organization?

A Yes.

Q Could you tell us what you did to satisfy yourself that this was worthwhile acreage?

A Well, I have spent months in Alaska on similar prospects, owned acreage there 10 years ago and then dropped it, couldn't afford to drill it, and I compared these logs, had four or five of my geologists and engineers study it --

Q When you say "these logs," sir -- the jury and I don't understand the oil business -- what are these logs you are talking about?

A Logs are the electrical survey made of

each well and they are like an electrocardiogram of your heart or body, I guess you would say, and they are very important and they are very factual, usually run by a French company called Schulumberger, and we had seen the logs on the wells that were producing.

The one fact about this that made me interested was there were two wells producing Mulhill or Mulville Island in what's called the North Slope, and that's 90 per cent of the information, there was already some production.

Q Did you take any other steps prior to the December 24th meeting to satisfy yourself of the value of the Arctic acreage?

A I took many different steps to satisfy myself and my organization that it had value, the leases, if they were drilled properly.

Q And you were going to do the drilling so you would make sure that would happen, right?

A That was why I wanted to do the drilling. I didn't have confidence in a lot of other people drilling, I don't have, but naturally I think we could do a good job. I mean, I have a small organization now, but at that time I had about 400 people in my organization.

Q When Mr. Hulsey gave you the contract and

you signed it what reason, if any, was given for Mr. Hulsey's wanting the contract at that time, if you recall?

A It was the end of the year. He said that they wanted to finish up the year's business and therrentals were due. That was the main reason.

Q Did you understand when you signed that contract that you were legally obligated to make the payments under it, I mean, legally obligated?

A Well, I was legally obligated, but I had the word of two men there, my lawyer and Mr. Hulsey, that the contract would be modified to suit the facts. I repeat: I don't have any money. I certainly wouldn't have taken an obligation for that kind of money knowing that I couldn't pay it.

Q You testified that you recalled that Mr. Hulsey was to take the contract and hold it and not turn it over until the supplemental agreement was taken care of, is that right?

A That's right.

Q Do you recall that, sir, when testifying before the grand jury, on page 74, you were asked about Mr. Hulsey holding the contract and you said you remembered something about that but you can't remember

that exactly.

A My attorney was present at the time, Mr. Neal Marriott, and he was the man that took the contract and said, "We will hold it." I repeat that again. I did not expect Hulsey to do it by himself because Hulsey did not work for me. But this attorney represented me and he assured me that he would take care of it.

Q You testified as to having some recollection of something missing from the contract other than just the provision for your being able to do the drilling work. You said something about a guarantee in response to a question suggested by Mr. Wing.

I would like to bring your attention, sir, to your grand jury testimony on page 71. Were you asked this question, did you give this answer:

"Q Were you told by Mr. Hulsey or by anyone else that you would be able to have John King buy you out of that contract if you were not satisfied?

"A I don't remember that. It could have been, but I just don't remember. I was more interested in getting work."

And then, referring to your SEC testimony -- do you remember giving that answer, sir?

jha8 Mecom-cross

A You know, if you let me see the paper maybe I could remember it. But if you are going to pick out a line here or there, I don't have any more to say. I can't remember things back five years ago without some --

Q Without some what, sir?

A Some backup of facts. My memory isn't that good.

As you see here, I wanted to get work. I said that I wasn't interested in the other part of it. It was my job to put the rigs to work and it was Mr. Marriott and five other lawyers I had to make the contracts.

Q Referring to page 39 and 40 of the SEC testimony in Houston, Texas, on September 30, 1974, at that time, sir, you were asked about a personal guarantee, about whether Mr. King had a personal guarantee. What I would like to do is show this to you. I am sorry. It's a little confusing because it's a bunch of lawyers talking.

You see there they are referring to whether you understood there was an agreement to provide you with sufficient net cash receipts to be paid to you to enable you to make all payments on your said

contract, and your answer was, "Generally my work, that was my -- I was just straight services."

Then your attention is drawn again to whether you agreed to provide sufficient net cash. That is a paraphrase.

MR. WING: I think it may be inaccurate. I don't know whether you realize what you said.

A I was trying to explain that I didn't have any money and they knew I didn't have any money and I told you that before and I was to furnish services.

Q I am going to a different point.

MR. ARMSTRONG: I see the confusion. I am sorry. My pronoun was misplaced, your Honor.

Q In other words, this is a reference to Mr. King agreeing with you that he would provide sufficient cash.

A Mr. King or someone from his organization. Mr. King had a number of men talking to me.

Q With respect to that kind of a promise, Mr. King promising to supply sufficient net cash, you say that was represented to you, and then there was a reference to whether Mr. King would buy it back personally, and you said, "I don't know, I don't remember any of that crap."

jhal0 Mecom-cross

A Well, I was interested in getting the property. I wasn't trying to get rid of it. I was interested in getting it and drilling it. That's the only way I could make a profit out of it.

I know there was a discussion that some of his companies might want it, but I don't know that it was Mr. King personally. I mean, I don't know what was in his mind. I know what I was thinking.

Q In any event, you weren't particularly interested in that part of the agreement, even if there was such an agreement?

A If you spend a lot of time studying a deal and two or three months of examining it and getting the costs, years of background, of experience, I wanted to get a deal, I wanted to get it and make some money with the rigs, and I was pestering them, "Let's get started."

Q Do you recall, sir, in 1970 that you had continuing business relationships with Mr. King? Is that a fact?

A Yes.

Q Do you remember what they were? I mean, on other matters.

A I stated earlier that I was trying to raise

some money to pay my debts or get business with my drilling rigs, my normal business, and that's what I talked to him about, deals or go anywhere else to get a drilling deal.

Q And those talks continued through 1970?

A Yes, sir.

Q You indeed talked about the possibility of forming some sort of a partnership with Mr. King in 1970, is that right?

A Yes, sir.

Q It did not in fact come about?

A No, he didn't come up with any money. That's all I needed, was money.

Q In your conversations with various people from the KRC organization did you tell them that you had drilling rigs that were adequate for use in the Arctic?

A Yes, sir.

Q Do you recall, sir, any conversations with respect to drilling arrangements with Mr. King in Louisiana and in Texas about this time?

A Yes, I had a discussion with one or two of his geologists about that.

Q Do you remember talking to a Mr. Hardin about

that?

A Yes, sir.

Q When was that?

A Some time in '69 I thought or '70. I am not sure.

Q '69 or '70.

A In the latter part of '69 or '70.

Q There was a deep hole, is that right, that had to be drilled, a test hole that had to be drilled out there in West Texas somewhere, is that right?

A I have never -- yes. that was what he was interested in.

Q You recall that deal?

A Yes, sir.

Q They wanted to use your rig to finish out a hole where soemhow they had not been successful before?

A We discussed that. You know -- well, I have nothing else to say.

Q Sir, in the negotiations up to December 24th there wasn't anybody else but youi on your side of the talks with the King people, isd that right?

A No, sir, that is not right.

Q Mr. Marriott came into it on December 24th.

A Mr. Marriott came into it, but one of my

organization, who is now dead, Mr. Walter Montague, did most of the discussing on the details of what equipment it would take, what we had, what we could do.

Q Did anyone else function on your side of the talks?

A There could have been two or three geologists. They talk back and forth. I don't keep up with their daily activity. But they are qualified to get information or work on it.

Q Sir, is there a corporation that you are primarily connected with, addressing your attention to 1969 specifically?

A What corporation did I use?

Q Yes.

A U. S. Oil of Louisiana.

Q U. S. Oil of Louisiana?

A Yes, sir.

Q When you say you used, that was the company that you used for your operations, is that correct?

A Yes, sir.

Q Who were the auditors for U. S. Oil of Louisiana in 1969 and '70?

A At that time I think Arthur Andersen.

Q Did Arthur Andersen have full access to your

financial data?

A Yes, sir.

Q When I say "your" I mean not just the corporation's, but yours as well. They did accounting work for you personally as well as --

A No, no, no, they did not.

Q I am not asking whether they were your auditors. I am saying isn't it a fact that they from time to time did accounting work for you.

A The business was so intertwined that they had to have information from my personal business as well as the corporate setup, but I was forced to use Arthur Andersen by Chase Bank, whom I owed a lot of money, and it wasn't a very pleasant situation, but I was forced to use them and I used them, but I kept the local accountants in Houston and still have them as my accountants, a man by the name of Garrett, and a man in New York, who is now dead, by the name of Edward Mabel.

Q But Arthur Andersen had full access to all the records?

A Arthur Andersen had full access.

Q Did Mr. King or Mr. Boucher or Mr. Hulsey or anyone else connected with King Resources ever tell

you that they wanted you to keep this deal in the Arctic quiet?

A Absolutely not.

Q Absolutely not?

A Not. We don't usually discuss those things out in public until it is a completed deal or something we finished, because if you do other people are going to get in it or profit by it.

Q But they didn't ask you to keep the terms of the deal secret or not tell anybody or not tell your auditors or anything like that?

A Well, I didn't want to tell my auditors, I mean, a lot about it, because we didn't know the facts yet. The deal had not been completed. In my mind this first contract was merely something that they sent me to suit some accountant. It wasn't a real deal. Our deal was what I told you, that we would put the rigs in and drill our way for profit.

Q To your knowledge, sir, was there ever a deal?

A Not a finished deal, no. This was only a contract on the rentals or a way to pay the rentals. It was sent to me and not changed by my lawyers or by me. I didn't have a thing to do with it except sign

it.

Q But as far as any guarantees are concerned or any agreement to pay you any money is concerned, there never was any kind of a meeting of the minds on that, is that correct?

MR. WING: Objection to the question.

THE COURT: Sustained.

A I expected --

THE COURT: No. He is going to ask you a different question, Mr. Mecom.

THE WITNESS: All right, sir.

Q As far as you were concerned, sir, did you ever come to an agreement with John King or Rowland Boucher on the final terms of any guarantee or anything like it?

A No, sir.

Q Sir, do you recall making a sale of property for some $3 million in excess of 1969 or January of 1970? Did anything like that take place?

A Could have. I had a lot of changes in properties. As I told you, I was trying to pay off a $90 million debt.

Q This is a year before the bankruptcy, sir.

A Well, I have sold properties for that kind

A 1366

of price, but I don't know who -- I mean, that particular deal doesn't -- isn't fresh on my mind. I mean, I don't know.

Q You say you have sold properties. Were you selling properties for that kind of price at that tir ?

A I have sold properties since 20 or 30 years ago for more money orthat much money, yes, 6 million, 10 million, depending on the property. We go as far as we can and we pay our debts by sale.

Q Is it not a fact, sir, that any arrangement that you were making was made with Mr. Huisey and that, your discussions beforehand, with whoever they were, were simply preliminary discussions?

A You are referring to the Arctic deal?

Q Yes.

A Yes.

MR. ARMSTRONG: Your Honor, it may take a moment to mark these.

THE COURT: Do you want a recess so we can organize this and move along? Is that what you are saying?

MR. ARMSTRONG: I can do it in a minute.

THE COURT: Please do it and let's go on.

(Pause.)

Q Mr. Mecom, I show you Defense Exhibit U for identification and I ask if you can identify that.

A I referred to it earlier, that I took Chapter XI bankruptcy.

Q This is the petition, is that correct, sir?

A That's correct.

Q And is that signed and sworn to by you, sir?

A Yes.

Q And also by your wife?

A Right.

MR. ARMSTRONG: Your Honor, we offer this in evidence.

MR. WING: Your Honor, we haven't examined this recently. If Mr. Armstrong has no objection, I probably won't object, but I would like a chance to look through it before I give the final word.

MR. ARMSTRONG: I don't think I will ask any questions about this, your Honor. I just want the witness to identify these documents.

Q Sir, I show you Defense Exhibit V and ask you if you can identify that document.

A Well, it's part of the bankruptcy proceed-

ings.

Q A list of unsecured creidtors?

A Yes, sir. It's since been paid though. I might add that.

MR. ARMSTRONG: The defense offers Exhibit V.

Q You want to look at W, X, Y and Z, and tell me if all of those are --

A It's my signature, my wife.

Q Referring to Exhibit W.

A I don't see any signature on this one. It's part of the same proceeding though.

No signature on here, but it's part of the same thing.

May I ask what this has to do with my business with Mr. King?

THE COURT: I was going to ask the same thing.

THE WITNESS: I don't like to be put through something --

THE COURT: If the defendant is going to put in this whole sheaf of bankruptcy papers I think it would help the jury and me to make clear their purpose and which parts of them are thought to

be relevant to this case.

MR. ARMSTRONG: Yes, your Honor. I propose to read certain sections. Mr. Wing said that he wanted time to look at them.

What I intend to do is show that there are representations made in these bankruptcy papers as to the Arctic contract, in which it is treated in the bankruptcy papers as a legitimate, binding contract, with no mention of any side agreements or anything having to do with any side agreements, up to a certain point in the bankruptcy, where the further papers show that there was a contest made for the first time where the contract was challenged, but not on the grounds that have been testified about in this proceeding.

MR. WING: Your Honor --

THE COURT: You may do that. You have elicited from this witness a view that he didn't consider a binding agreement at all, but you may go ahead and show that as well.

MR. WING: Could I have a brief voir dire, if that is the purpose?

THE COURT: As to the admissibility of the papers? I no. You may cross examine or

redirect or whatever it is.

MR. WING: All right.

THE COURT: All right. For that purpose we will receive them.

(Defendant's Exhibits U through Z were received in evidence.)

MR. ARMSTRONG: Your Honor, I would also like to add to that offer Exhibits AA and BB, on the same representation.

THE COURT: All right. Mark them in evidence.

(Defendant's Exhibits AA and BB received in evidence.)

xx THE COURT: Mr. Armstrong, I don't want to rush you, but could we move along, please.

MR. ARMSTRONG: I am sorry, your Honor. I apologize. I hoped to have the documents better organized. I just didn't do it.

All right, your Honor. I am sorry. I have it straightened out and will complete the offer with Exhibits CC and DD.

(Defendant's Exhibits CC and DD were received in evidence.)

xx Q Who were your lawyers in that bankruptcy

proceeding, Mr. Mecom?

A Mr. Carmouche, Ed Carmouche in Lake Charles, and in New Orleans Mr. Steig, Kell her & Christinberry.

Q Did there come a time when Mr. Marriott had anything to do with the bankruptcy?

A No. Mr. Marriott, after I went into the bankruptcy, just took care of anything that he had had before that time.

THE WITNESS: Your Honor, may I ask a question? If this is part of the business, I mean, part of any business I had with Mr. King, I feel that it is necessary, but I have been through five years of this bankruptcy and paid my bills, and I am very proud of that, I lost a lot of property, but I don't feel that the bankruptcy had any bearing on any business with Mr. King, and if this attorney is trying to drag it out, I will be happy to spend the summer in New York, but I have been up here five times and answered everything that this gentleman and anybody else has asked me, but I can't see the point of bringing the bankruptcy thing in, because we put no value on this deal. I mean, I got notthing for it except trouble.

THE COURT: It has at most a limited

interest to us and we are not going to go through the bankruptcy. We would be happy to have you through the summer, but not for our purposes.

I think Mr. Armstrong is about to accelerate the rate of this cross examination and we may get you through in a little while.

THE WITNESS: Yes. I am not worried about getting through. I just can't see the connection.

THE COURT: We are not going to explore the bankruptcy at any length.

MR. ARMSTRONG: Your Honor, Mr. Armstrong is about to sit down. I have no further questions.

THE COURT: You see?

Mr. Maloney.

MR. MALONEY: Your Honor, I will be very brief.

CROSS EXAMINATION

BY MR. MALONEY:

Q Mr. Mecom, I only want to focus in on one little area and that is when for the first time did you ever talk to Rowland Boucher about drilling in the Arctic.

In trying to refresh your recollection

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let me show you what has been marked as Government's Exhibit 6G. That is a letter dated February 2, 1970, is it not, to your attention, concerning bidding in the Arctic, is that correct?

A That's correct.

Q Do you know how that letter came about in February 2, 1970?

A Yes, I know exactly how it came about.

Q How did it come about?

A I asked Mr. Boucher or Mr. King or some of the organization if we were seriously going into it.

They said, "Yes, we are going into a deal and we are doing business with Parker Brothers. We don't think your rigs are capable of handling it."

That's their opinion. My rigs have drilled in many other places in the world.

But to be honest about the letter, the letter was dated February 2nd, they expected a bid on February 4th. No human being could make that bid up in less than a week's time, or a group of men trying to get the information.

The second part, it says "Must be capable of Hercules shipment." That means in our terms capable

A 1374

of being flown in and out. We were not going to fly our equipment in, we were going to barge our equipment in, just as the Standard Oil Company put the Manhattan up there.

The letter was so aggravating to me I didn't answer it. I gave it to Mr. Marriott and said, "Here is more proof the people didn't mean business."

Q Mr. Mecom, the focus of my question is do you recall calling Palm Springs, where there was a golf tournament going on --

A I know nothing about the golf tournament.

Q Did you ever call Rowland Boucher at Palm Springs in or about the end of January, 1970 about bidding?

A I called him. I don't know where I got him. I called him, yes.

Q About bidding in the Arctic?

A Yes, sir. Let me further say that I was not an ordinary bidder. I was taking my profit in acreage. Therefore I didn't care to come under the specification of somebody like Parker Brothers, who I mentioned earlier are contractors who get paid the full amount in cash.

Q To the best of your recollection, sir, when you called Boucher around the end of January, 1970 about bidding in the Arctic, to the best of your recollection now, is that the first time you talked to Boucher about drilling in the Arctic?

A No, I talked to Boucher a number of times in Denver and in Houston.

Q When?

A I don't remember the exact dates. I went to Denver two or three times. I had a discussion in Houston with he and Mr. Hulsey. But I can't tell you the exact dates, because it was normal business we were discussing.

Q This is before or after the Arctic contract that you had signed on December 24th?

A This is before, and after we talked about it t get the details. But that letter clearly stated that we didn't have that type of equipment, so there wasn't any use to make up a bid. That's equipment that could be thrown in.

Q Mr. Mecom, you recall testifying almost two years ago, on September 30, 1974, before the SEC? Do you recall testifying?

A Yes, sir.

Q I am going to ask you to read this question and read this answer and tell me whether you were asked that question and you gave this answer. Let me read it with you. Page 16:

"Q Did you discuss the Arctic with Boucher before you wrote or before you signed the December 24th contract?

"A If I did, it was just a casual 'What are you all doing up there?' or something like that. I mean, 'What is going on?' I didn't go into any detailed discussion with him."

A He wasn't the man in charge of the deal.

Q But do you recall giving that answer?

A Right.

6/2

gtrf 3 am 1 Mecom-cross

Q And on page 18, do you recall being asked this question and this answer:

"Q Do you remember anything that Boucher told you about the proposed deal that he or John King or King Resources wanted you to enter into?

"A All I can remember about Mr. Boucher is he showed me a picture of a house he was building and it was the goddamdest mess I had ever seen. I had asked him if he had finished it, he said no. I said, 'You will be lucky if something happens that you don't finish that son of a bitch and not have to move into the thing.' It looked like a bunch of -- well, I wouldn't use the word."

Do you recall that answer?

A Yes.

MR. MALONEY: I have no further questions.

REDIRECT EXAMINATION

BY MR. WING:

Q Mr. Mecom, I would like to show you Defendant's Exhibit B for identification, and ask you to take a look through it and tell me whether you had anything to do with the preparation of that document (handing)?

A How could I -- I signed it, but my attorneys made the document up.

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I'm not so sure I signed this one.

Q You didn't even sign that document, did you?

A I don't think so. But I had nothing to do with the preparation of it.

Q And you had nothing to do with the preparation of it?

A No. It is one of the firm of Camp, Carmouche, Palmer, attorneys, Mr. Hunter.

Q That is Mr. Hunter?

A Yes, sir.

Q Did you ever tell Mr. Hunter anything about your conversations with Mr. Hulsey about this King Arctic deal?

A I don't remember it if I did. I may have, there would be no reason not to, but I don't remember. It doesn't mean anything.

Q Take a look at Defendant's Exhibit CC. The first page is headed "Petition" and the second page is signed by someone named Richard Sadler.

Who is that, sir?

A Well, he was one of the lawyers who represented -- he was the co-receiver with one of my attorneys.

Q Did you have anything to do with the preparation of this petition?

A No, sir.

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Q Attached to the petition is a letter addressed to you dated March 10, 1971 from King Resources Company, and at the very bottom of the second page it states, "Arthur Andersen & Co. The above information is in agreement with our records at December 31, 1970 with the following exceptions, if any," and then typed in after that is "3/18/71, this is not correct."

That letter refers to the Arctic contract, is that correct?

A Well, I don't -- yes, it does here. But I have never seen that letter before.

Q You have never seen that letter?

A No.

Q Did you have anything to do with typing in this answer, "This is not correct"?

A I don't know. If my lawyers asked me about it I probably answered, but I didn't -- my signature is not there. I mean, I didn't sign it.

Q Then attached to that is an invoice from King Resources dated February 24, 1971, addressed to you, John W. Mecom, and it says, "Installment due 6/1/70, $413,000, installment due 10/1/70, $413,000," then a couple of interest payments are reflected and the balance is $1,001,539 and invoiced to you.

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Did you ever pay that invoice?

A No. I didn't owe the money, either.

Q And then next we have a letter addressed to Mr. Sadler from Neil Marriott, dated May 21, 1971.

Did you have anything to do with the preparation of that document?

A If Marriott asked me any questions I answered him, but Marriott had all the facts in my file on this.

I don't remember anything about the document.

Q Do you have any recollection now as to whether you talked with Marriott about it?

A No.

Q Then the next document attached is headed "Agreement" and it is an agreement between Ike Hoskins and William Sandoz, acting in the capacity hereinafter recited as Mecom interest, and the Colorado Corporation."

Who are Hoskins and Sandoz?

A They were referees in the court appointed by the federal judge for me to work with.

Q To your knowledge, sir, did you have anything to do with the preparation of this agreement?

A No, sir. I didn't sign it, either.

Q It appears to be -- at least this copy appears to be blank, no signature.

A I didn't sign it and neither did my wife.

Q And the following document is headed "Order" and it is an order signed by a referee, LeRoy Smallenberger.

Did you have anything to do with the preparation of that document?

A No, sir.

Q Showing you Defendant's Exhibit DD, would you just take a look at the first two pages. It is captioned, "In the matter of John Mecom, Sr. and Mary Elizabeth Mecom."

Is that your wife, sir?

A Right.

Q And it is signed on the second page by Mr. Sandoz.

Did you have anything to do with the presentation of that document?

A None whatsoever.

Q Will you try to keep your voice up so the jury can hear you.

A No, sir, I did not.

Q The next document attached to this exhibit is an order, again signed by the referee, Mr. Smallenberger.

Did you have anything to do with the preparation of that document?

A No, sir.

Q Then attached to that is something headed

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"Inventory And Appraisement."

A That was my personal real estate homestead and other properties that my father left me.

Q It refers to, "I, the undersigned," but there is no signature or place for signature.

A This is real estate, but non-producing real estate that was not in the proceedings at all.

Q Did you have anythin_ to do with the preparation of that document?

A No, sir.

Q Showing you Defendant's Exhibit AA, this is headed "In the natter of John W. Mecom and Mary Elizabeth Mecom."

The first two pages -- the second page is signed by Mr. Carwile.

Who is he, sir?

A He was one of the attorneys of Carmouche, Camp at Lake Charles.

Q Did you have anything to do with the preparation of that document?

A No, sir, no, sir. Never seen it before.

Q Attached to that is a Schedule A-1, Schedule A-2, Schedule A-3, Schedule 2.

Schedule A-1 appears to be a copy of your signature.

Is that your signature?

A Yes, sir.

Q Did you have anything to do with the presentation of this schedule?

A No, sir. I signed it, though, and my wife signed it.

Q With respect to A-2, that also appears to bear a copy of your signature.

Did you sign that document?

A Yes, sir.

Q Did you have anything to do with the preparation of that document?

A No, sir.

Q And the same is true of a second page headed "Schedule A-2."

Did you have anything to do with the preparation of that document?

A No, sir.

Q You just signed it?

A I signed it, but it was my attorney who prepared it.

Q Let me see if I can go through this a little more quickly.

With respect to all of these schedules headed "A-3, are these schedules which you signed?

A Yes.

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Q Did you have anything to do with the preparation of any of these A-3 schedules?

A No, sir.

It states here what this is. This is a billing of creditors and the footnote explains what it is.

Q To your knowledge, sir, who did prepare these schedules?

A Well, my accounting firm or the attorneys handling it.

Q As I flip through them, if you can just look at these additional schedules, A-5, are these schedules which you signed?

A Yes, sir.

Q And did you have anything to do with the preparation of those schedules?

A No, sir.

Q And here is something called "Oath to Schedule A." Did you sign that?

A Yes.

Q Then we come to more schedules. Schedules B-1s. Are these also documents --

A Yes.

Q Did you have anything to do with the preparation of any of these documents that you are looking at?

A No, sir.

Q With respect to every single one of these pages, do they all bear your signature?

A Yes, sir.

Q And are they all documents which you had nothing to do in preparation?

A No, sir, I did not.

I signed them.

Q The last document is a summary of debts and assets.

Is that your signature on the bottom there?

A Yes, sir.

Q Did you have anything to do with preparing that document?

A No, sir.

Q Showing you Defendant's Exhibit BB, transcript of proceedings before Honorable Leroy Smallenberger.

This appears to be a transcript of a proceeding, Mr. Mecom.

Did you have anything to do with the preparation of this transcript?

A I don't know. I don't remember anything about it.

Q The people who are talking appear to be Mr. Cook, Mr. Killman, Mr. Butt.

A 1382

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Do you know who those people are?

A No.

I know -- no.

Q Mr. Irwin, do you know who he is?

A It states it is Halliburton Company. I owed him some money. I don't know any more than that. They were paid.

Q This is a document that is signed by Dorothy Carr, notary public in the Caddo Parish, Louisiana.

A No.

Q Did you sign this document?

A No, sir.

Q Did you have anything to do with its preparation?

A Nothing.

Q Defendant's U is a petition for an arrangement under Chapter XI of the Bankruptcy Act.

Did you sign that document?

A Yes, sir.

Q Did you have anything to do with its preparation?

A I did not.

Q Attached to it is a scheduled list of creditors.

Did you have anything to do with the preparation of this schedule?

A No.

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Q And then at the very back there appears to be a different kind of schedule, as of 8/31/70, which is unsigned.

Did you have anything to do with the preparation of that schedule?

A No, sir.

Q Referring to Defendant's Exhibit Y, the first page is a letter from Mr. Carwile to the Referee Smallenberger.

Did you have anything to do with the preparation of that letter?

A No, sir, I did not.

Q And you did not sign that letter?

A No, sir.

Q Attached to that appears to be a list of secured creditors.

Did you have anything to do with the preparation of that schedule of secured creditors?

A No, sir, I did not.

Q Defendant's Exhibit X appears to be a petition to rejectexecutorycontract. It appears to be signed by Mr. Hoskins, the receiver.

Did you have anything to do with the preparation of that document?

A No, sir.

Q Do you want to take a further look at it?

A No, sir, I didn't have anything to do with it.

Q And you did not sign this document?

A No, sir, I did not.

Q Defendant's Exhibit W is headed "Schedule of Executory Contracts," and that appears to be signed by you, Mr. Mecom.

A Yes, and my wife.

Q Did you have anything to do with the preparation of that document?

A No, sir.

Q Finally, Defendant's Exhibit Z, the first page is signed by Mr. Hoskins and Mr. Sandoz.

Did you have anything to do with the preparation of that document?

A No, sir. They were the receivers.

Q And then it lists promissory notes, additional accounts receivable, additional claims, a number of other items, then producing oil royalties, foreign assets, jewelry, movable assets, bank accounts, and the last page is an order signed by Referee Smallenberger.

A He was responsible for that.

Q Did you have anything to do with the preparation of that document or any of those schedules?

A No, sir. I did not.

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MR. WING: Your Honor, at this time I move to exclude all of these documents.

MR. ARMSTRONG: Your Honor, was this in the nature of a voir dire or --

THE COURT: Whatever it was in the nature of, you heard what it is he elicited and there is a motion and you may respond to it.

MR. ARMSTRONG: May I have a voir dire?

THE COURT: Yes.

VOIR DIRE EXAMINATION

BY MR. ARMSTRONG:

Q Mr. Mecom, in the preparation of all of these bankruptcy documents, did you consult with your attorneys?

A My attorneys consulted with me, yes.

Q And did they inquire from you about facts within your knowledge that were relevant to the preparation of the bankruptcy papers?

A Not these papers, because these papers are lists of properties and debts and things that they referred to my accountants and my books to get the facts of that. I didn't have it in my mind.

Q When you say "these papers," sir, there are many things in here.

A Well, pick any of them.

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I signed the ones where there is personal property I think you will find. Those were the ones that --

Q And you read the ones that you signed? I mean, you didn't sign and swear to something that you didn't read.

A Yes, if you say that, that is what -- that is what you say.

I don't remember reading all those papers, but I did read most of them when I signed them.

Q What I am saying, sir, is that insofar as you had personal knowledge of matters that your attorneys were concerned about, they would discuss it with you and you would give them whatever information they needed, isn't that correct?

A Usually they didn't have to discuss it with me, though, the facts were taken from the books.

That is a list of what I owned and what creditors claimed I owed them. I didn't know what all the bills were because there were hundreds of them, and some of them were in dispute and some of them were right. But the ones that were in dispute they would ask me about.

Q In other words, they would discuss with you which claims to dispute and which claims not to dispute, is that right?

A That's right.

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Q And in making that decision, they would go over the facts of those particular claims insofar as they are relevant, is that right?

A I don't know what they did. I don't know what they did. I know what I did.

I mean, I don't know what the accountants did or the lawyers did. I had a lot of them. But they would come with me with one particular thing and discuss it and I would say, "That is not right."

Just like some of the bills there were over-- they were padded, to be exact. We would not pay the whole thing.

MR. ARMSTRONG: Your Honor, we are not offering these for the purpose of putting in a lot of bills and schedules, we are offering them for the purpose that I said of showing the position that was taken in this bankruptcy with respect to the particular contract which is at issue in this case and on the basis of the witness' testimony on voir dire I submit that the documents are admissible.

I suggest, your Honor, though what I might do to make it easier for the Court and for everyone, we can go through and excerpt from this and make a sub-exhibit of the portion that we feel is relevant so you won't be burdened with this --

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THE COURT: Well, it is something you should have done in advance.

You bring a three-inch sheaf of bankruptcy papers to the court, you put them in without asking this witness a single question about the allegedly interesting excerpted portions, you conclude your cross examination, the only enlightenment that the jury gets about that thick sheaf of papers has to be supplied by the Government and redirect showing the nature of the attention or inattention this witness paid to these matters at that time, failing in any of this examination to focus on what is supposed to be the issue before us, and in that posture the Government's motion is granted.

All those papers are stricken from the record and the jury will disregard them.

What are their letters, Mr. Armstrong?

MR. ARMSTRONG: I'm sorry, your Honor?

THE COURT: What are the letters on those exhibits, those bankruptcy exhibits?

THE CLERK: U, V, W, X Y, Z, AA, BB, CC and DD.

THE COURT: All right. All of those are stricken.

Do you have anything else, Mr. Wing?

MR. WING: Yes, I do, your Honor.

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BY MR. WING:

Q Mr. Mecom, you mentioned in response to Mr. Armstrong's questions that you looked at certain electric logs, and I think you defined those as some sort of log that showed what a well was producing.

A Well, whether it was capable of producing or was likely or not.

Q To your knowledge, sir, were any wells actually producing at the time that you talked with Mr. Hulsey about this Arctic contract?

A Yes, to my understanding there were two wells.

Q And who told you that, sir?

A Well, it was a matter of fact by the Oil and Gas Journal or in the industry that these wells had been brought in and it was the same time Standard Oil was trying to make a survey of whether they can get a tanker up or not from Manhattan.

Q Were these wells that were producing wells, sir?

A Yes.

Q Or were these wells where there was a blowout, a gas blowout on --

A To my understanding, they were producing gas wells.

Q Do you remember having any conversation with

Mr. Hulsey about how you didn't want them to plug up those wells because you wanted to use the gas?

A I asked if they had any acreage connected to it or with production so we might try to use this for fuel for our drilling.

We have some steam powered rigs and some diesel powered rigs. The steam powered rigs are out of date. They are junk now because of the high price of gas.

But where you have gas such as these wells, they would have been most efficient and most desirable.

Q And do you remember any discussion with Hulsey about wanting them not to plug those wells?

A Yes, sir. I asked if he had any influence or had any interest in not -- they did plug the wells and ruined them. They just killed them. I don't know why. It was none of my business.

Q Those were not producing wells, were they?

A Yes, sir, they were producing gas wells.

I would have never looked at the deal, I mean, I would never have considered the deal and spent the time and money on it if we hadn't thought we would use those for fuels.

Q Were you told that those wells were on King Resources property?

A No.

Q Whose property were they on?

A They were on a group of companies that -- I don't know who all they were, but I can name some of them. Atlantic, City Service, Esso.

Those companies go together to drill an expensive well like that and, I mean, it was a group.

Q And I think you also referred in your testimony on cross examination to the North Slope.

What does that refer to, Mr. Mecom?

A Well, in my opinion, it is everything north of the territory of Alaska, but taking in the northern islands and borders of Canada mostly.

Q In the oil business is the North Slope generally referred to as the North Slope of Alaska?

A I don't consider it.

Alaska to me is one province, but I considered these wells wells now being drilled in the North Slope are out of Alaska, north of Alaska.

Q You are familiar with Prudhoe Bay, are you not?

A Yes, sir.

Q And that is in Alaska, is it not?

A Well, it joins Alaska.

Q And is that what is generally referred to as the

North Slope, that area?

A Yes, sir.

Q Mr. Mecom, Mr. Armstrong asked you some questions about your SEC testimony and he directed your attention and read some answers that you gave to questions you were asked about a particular document.

First I would like to -- I believe it was on page 40.

MR. ARMSTRONG: 40 of what?

MR. WING: Of the SEC testimony.

Q If you would just, first of all, read starting about line 16 to yourself for that page and the next page, then I want to ask you about the particular document that you were being questioned about.

A Line 16 is, "Q Now, in paragraph 2 of the letter --"

MR. ARMSTRONG: Your Honor, I object to the reading of this out loud. I believe the request was --

THE COURT: All right. Do you not want it read out loud?

MR. WING: I have no objection, but --

THE COURT: You don't claim it should be read out loud?

MR. WING: I was going to read it later, but first

A 1397

I wanted to address the witness to read it to himself --

THE COURT: Why don't you read it to yourself for the time being, Mr. Mecom.

THE WITNESS: Yes, sir.

(Pause.)

Q Now showing you Government's Exhibit 1 for identification, sir, is that the document, is the second page of that document the document that was being referred to in the questioning there?

A Yes, sir. Payments for the cost of the drilling.

Q And were you actually ever shown that particular document during the year 1970?

A I don't remember seeing this until you showed it to me a month ago or so. I didn't see it earlier.

Q When you testified before the SEC --

A I don't know this man at all.

Q By "this man," who are you referring to?

A Mr. Laurie.

Q And were you asked by Mr. vonStein, when you testified before the SEC in September of 1974 about paragraph 2 of that letter, the following questions and did you give the following answers:

"Q Now, in paragraph 2 of the letter, it says, 'Oh, I have agreed to provide you sufficient net cash

receipts to be paid to you to enable you to make all payments on your said contract --

"A Generally, my work, that was my -- I was -- just straight services.

"Q But this paragraph starts out, 'I have agreed to provide sufficient net cash.' This does more or less set out what --

"A I'm trying to say --

"Q -- what was represented to you?

"A Yeah.

"Q And how about paragraph 3, which is the -- where it says --

"A I don't know. I don't remember any of that crap."

And you remember Mr. Armstrong read that to you.

And then the next question.

"Q Here he agrees to buy you out if you want to be bought out," and your answer, "I guess so, but it is window dressing compared to the original deal."

Do you recall giving that answer?

MR. ARMSTRONG: What is the page on that again, Mr. Wing?

MR. WING: 40 and 41.

A I remember saying the latter parts of it, that is my testimony, but I didn't have anything to do with this.

A1399

Q You hadn't seen that document at that time?

A No, sir.

Q Mr. Mecom, I think you told us on cross examination that you had some conversations with George Hardin in the fall of 1969, is that correct?

A That is correct.

Q At that time or at any time thereafter, did you make any specific agreement with Mr. Hardin that he would use a particular rig of yours?

A No, sir. My rigs didn't fit his needs.

Q And did yo ever sign any contract with Hardin to do drilling for him?

A No, sir.

Q Did Arthur Andersen have access to all of your financial records?

A Certainly.

Q Did you ever talk with Arthur Andersen about the particular Arctic contract that you testified about here today?

A I don't recall it. There was no reason to, as far as I was concerned.

MR. WING: I have no further questions.

THE COURT: Any recross?

MR. ARMSTRONG: Your Honor, I would like to ask

a few questions with respect to the documents that y have not accepted on the basis of the former offer.

THE COURT: No, no. I have given you every opportunity; at the time you put them in and sat down without asking a single question about them, after the Government's redirect I gave you a voir dire, and it is enough. I have ruled. I will not allow anything further on that.

MR. ARMSTRONG: Your Honor, if I may, I thought that the voir dire was directed simply at the admissibility of the documents.

Your Honor pointed out that apparently the problem with their going into evidence is the fact that there were not sufficient questions asked of this witness.

I had not intended any deception, I simply wanted to not take the time of the Court with routine documents that are filed and sworn to in a bankruptcy court and I simply wanted later to --

THE COURT: Look, ladies and gentlemen -- do you have any other recross? I will hear argument in the absence of the jury, because I don't think this is going to enlighten them at all.

Do you have any recross?

MR. MALONEY: No, your Honor.

THE COURT: Do you, Mr. Armstrong?

MR. ARMSTRONG: I will. I mean, I would like to be able to argue to your Honor --

THE COURT: Other than this, do you have any recross?

MR. ARMSTRONG: No, I do not.

THE COURT: Take a ten or twelve minute recess. The other two minutes is for the argument.

(Jury left courtroom.)

THE COURT: Mr. Mecom, you may relax. I don't know whether we will need you any further, but we will let you know in a few minutes.

THE WITNESS: All right, I will wait right here.

THE COURT: All right.

(Witness is temporarily excused, remains in courtroom.)

THE COURT: All right, Mr. Armstrong.

MR. ARMSTRONG: Your Honor, what I would like to do is I would like to go through certain of these documents, certainly the ones that were sworn to by the witness, and bring out through him, I mean, ask him if he knows or bring out at some time the fact that in his bankruptcy proceedings, in sworn documents submitted to a Bankruptcy Court, he filed a petition which lists this contract without any reservation at all first, that he

A 1402

described the contract in a document sworn by him which describes the contract in terms that do not list any reservation and say -- describe a working interest in certain designated permits as set out fully in the contract.

There are certain other portions that I would like to bring in.

Now, I did not -- I was not trying to pull anything on the Court, your Honor. Mr. Wing has all these documents. He has taken them from the bankruptcy files as well as we did so it is not a question of my surprising him with anything.

I did not feel that I wanted to question the witness at great length about something that obviously was prepared by his attorneys but he swore to it. I was not going to make any big point about the fact that he prepared it or that he sweated over it.

I think your Honor is right, I should have brought out more from him. I simply at that point wanted to save time. And I figured here were documents that, as I understand it -- I mean, they are under the seal of the Court and they are in his bankruptcy and I felt I would just put them in and then read those portions that I felt were relevant.

Now, if your Honor feels that it is not fair to do it that way or appropriate to do it that way, I would

A 1403

now like the opportunity to go back and do it through the witness. But I think they are highly relevant, your Honor, and I think it would be unfair to leave them out.

THE COURT: I gather you think that.

First, I never said anything about your pulling anything, but I am perfectly sensitive to the reason you react that way, because the way you put them in, all unintentionally, and I know that otherwise I would be much harsher about this, ahd the substantial affect that could have been described by somebody as pulling something.

Here is a sheaf of documents filled with red seals and ribbons in a man's organization proceeding where you put them in because he under oath said, "This is a contract in my file, and, yes, it is a real true contract," and he has been sitting here testifying about it before this jury and you go ahead and put it in without asking him one question about it, how he focused on it, what it meant to him, what its signi ficance may have been in that wholly different and unrelated bankruptcy proceeding, whether and to what extent as a person going through reorganization, having signed that thing, he felt obliged to be stuck with it because whatever side deal he had with Mr. King or Hulsey or Boucher or anybody might not let him off the hook with his creditors.

You don't open up anything of that, you just leave it to be dropped on the jury some time, red ribbons and all, and he swore this was a good contract, and that, in the context of your having elicited from him under oath yourself just a little while before he really didn't regard it as much of a contract at all.

So nobody understands what these inconsistent things are that you are supposedly eliciting from this witness.

Mr. Wing goes through and elicits what presumably everybody would have known, that supposedly takes the sting out of this material from the Government's point of view and makes the respectable motion to strike; you, an experienced lawyer get a voir dire, and I don't care whether you call it voir dire or cross, you have every opportunity to do what is necessary to show that the jury ought to be regaled by those red ribbons and things when you come to sum up, and still none of what you are now saying comes out in any useful intelligible way.

Having all of that in mind and having in mind that even as you put it now at most these are of modest potential relevance in this case, I am adhereing to the ruling and you, of course, have your exception.

MR. ARMSTRONG: Your Honor, if I may --

THE COURT: No, I don't want to hear any more on this. That is the ruling, Mr. Armstrong.

We will take another five minutes or so.

MR. Mecom, I take it, is excused, because you don't need him except for that.

All right, you are excused, sir.

THE WITNESS: Thank you.

(Witness excused.)

(Recess.)

(In open court, jury absent.)

MR. ARMSTRONG: Can we have an application or something? I want to take something up with you before you take in the jury.

THE COURT: Sure.

MR. ARMSTRONG: Last night I called Mr. King for the purpose of giving him the courtesy of telling him how long we expected to be with the cross examination of the witnesses that were scheduled to come on today. We have been talking about the 3500 material that your Honor directed that he turn over, and there were certain witnesses for whom we have voluminous 3500 material and he had told me that due to scheduling problems he was not going to be able to get certain of those witnesses in this week and we had been discussing it.

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hpa 4492

UNITED STATES OF AMERICA

vs.

JOHN M. KING,
A. ROWLAND BOUCHER

New York, July 1, 1976

9:35 a.m.

Trial resumed.

- -

(In open court; jury not present.)

THE COURT: Not wishing I asusme to be faulted for lack of energy, the government has submitted another request of charge on reasonable doubt and whether you have to believe every witness as to reasonable doubt. In fairness, I will touch on that although I won't grant the request in this form and use this opportunity to attack Mr. Armstrong although I hate to forgo -- where is Mr. Armstrong?

MR. COLODNER: He will be here shortly, your Honor.

THE COURT: As I understood the telephone message I received, I was told in the last analysis, Mr. Maloney, you wanted the substance of the government's request on the statute of limita-

hpa2

tion.

MR. MALONEY: Right, your Honor. I believe there should be a request the jury under Gruenwald have to find that one of the objects of conspiracy was concealment in order to carry within the statute of limitations.

THE COURT: Let me ask whoever knows, representation letter of June 14, 1971 was signed by Mr. Boucher?

MR. WING: That's right, your Honor.

MR. MALONEY: We take the position that -- well --

MR. WING: The charge is concealment about the facts of this --

THE COURT: I think so. I don't know how you can define this crime other than in terms of concealment. But, in any event, I take it that will be the gist of what the jury will be told. Is Mr. Armstrong planning to be here?

MR. COLODNER: He is here, your Honor.

MR. MALONEY: While we are waiting, your Honor, Mr. Wing's staff is checking on something he said on summation. I think we have agreed to advise the jury of it and that is I made a great point of this

hpa3

Exhibit BG in my summation, the BP sale, the $63 which was kept from IOS. He made a point of saying essentially -- I don't remember the exact words -- that's because they were doing their own thing essentially and never told Fund of Funds, but in fact it's our position - that's what he is trying to verify at the moment -- that that was partially held by Fund of Funds and it was there for their benefit as well as for King Resources, the sale of $63 an acre.

THE COURT: What do you want me to do?

MR. MALONEY: If he verifies what he is saying is accurate, I think the government feels obligated to clarify it in some form or another to the jury at one point some time this morning, whether after your Honor's charge or whatever depending when he can get verification.

MR. WING: We want to check out the fact first, your Honor, and this we want to consider --

THE COURT: It's a very peculiar way to proceed, gentlemen. I told you to check it out overnight. We have a jury here that is running into the 4th of July weekend. I am about to charge them for 12 or 14 hours, judging by the number of pages of these things since you weren't able to reduce the

hpa4

amount of counts. I take a dim view of the idea that the jury after all these instructions is to get some important hangnail about BP. I don't know why we can't have it now.

Who is checking, where, and why is it taking so long?

MR. WING: Mr. Marone is trying to find Mr. Baker, who apparently is someone who knows the fact. I'm not sure, Judge.

They say, Boucher says, that the Fund of Funds was involved in that sale as well as King Resources.

THE COURT: Where do they say it?

MR. WING: There is nothing in the record.

THE COURT: It is not in the record?

MR. MALONEY: I can't point to anything in the record.

MR. ARMSTRONG: Your Honor, if there is nothing in the record, Mr. Wing's remarks are based supposedly on the record too. Mr. Wing is making a factual statement in his summation in all good faith but once he made the statement that contains the inherent factual statement that Fund of Funds was not

hpa5

involved in the sale.

THE COURT: It's the two of them arguing as I understand it from an unclear exhibit one way and another and that's within the realm of argument. If either side is shown by the record to be wrong it should be corrected, but if neither side is shown to be right they have placed their arguments before the jury and I don't know that I should say Mr. Wing is not absolutely right any more than I should say Mr. Maloney should say he is not absolutely right.

MR. ARMSTRONG: If in fact on an issue that didn't come in during the course of the case we could focus on and is unclear on the state of the record, if in fact Mr. Wing is just wrong, I think it's unfair to allow the jury to think that somehow KRC and the defendants were putting something over on BP, which is a perfectly legitimate argument for him to make when he is not aware of the fact that -- I'm sorry; Fund of Funds -- if he is not aware of the fact Fund of Funds themselves were part of the deal. We didn't focus on that during the trial and had no chance to rebut it. I think it is the government's obligation to correct an argument that's based on a factual misstatement which we didn't have the opportunity

A 1411

to find out during the case.

THE COURT: That's splendid. If you think that it is the only possible factual misstatement in this record that could be corrected by further exploration I respectfully differ with you, just confident that that is not so. I also think it is appropriate and desirable and probably compulsory for Mr. Wing to have done what he is doing, that is, to check on whether he made an error of fact. But I am not going to keep this record open forever and it seems to me that since it is particularly in the interest of Mr. Boucher and through him his attorney, Mr. Maloney, somebody should have been up all night to check this out and determine the fact and establish it rather than continuing to keep this jury, which has characteristically gotten here on time, waiting while you figure out whether there has been a mistake.

MR. ARMSTRONG: Your Honor, we thought from the document it was apparent and we thought for instance Mr. Von Stein -- all we have to do is come in this morning and point it out to Mr. Wing and clear it up.

MR. WING: Mr. von Stein told me last night it was his understanding Fund of Funds didn't participate in

A 1412

the sale.

MR. ARMSTRONG: We thought it was a self-evident fact.

THE COURT: Why do you think it is self-evident?

MR. MALONEY: We thought it was, because in this document, which I made a big thing in my summation, it talks about the joint holdings of Fund of Funds and King Resources and what is contemplated, I thought, and that was knowing in the rest of the paragraph about their jointly-owned property. It doesn't spell it out in those specific terms for Mr. Wing to concede.

MR. ARMSTRONG: We didn't think it was a matter of factual problem.

THE COURT: Why don't I, since you think it is self-evident, tell the jury they ought to look at it and send it in with them. Why isn't that the solution?

MR. ARMSTRONG: Mr. Wing contends it doesn't spell --

THE COURT: I don't care what he contends. I'll tell them you have a disagreement whether this involved FOF or just King Resources' properties,

A 1413

and while I don't think it is the heart of the case, in order not to extend further summations and arguments I am going to tell them to take this exhibit with them to the jury room.

MR. ARMSTRONG: If in fact Mr. Wing does check it out and it turns out it is conclusively established that Fund of Funds was participating in the sale, your Honor, couldn't that simply be just told --

THE COURT: If he does it by when?

MR. ARMSTRONG: By the end of your Honor's charge. In other words, if Mr. Marone comes back and says he has checked it out and it is the fact couldn't there be one quick statement to that effect to clear up the record?

THE COURT: Then I'll leave it that way and I won't send the exhibit in. I'll wait until the end of the charge. If that's what you desire I will leave it at that.

MR. MALONEY: All right, Judge, yes, sir.

THE COURT: You let me know by the end of the charge whether there is any such correction or addition or statement to be made.

Are we ready?

A 1414

(Jury present.)

CHARGE OF THE COURT

(Frankel, J.)

THE COURT: Good morning, ladies and gentlemen.

We reach, as you know, the last step before the point toward which all of this procedure and evidence and discussion have been directed, the time when this case will be taken by you to the jury room for you to consider together and for your efforts to seek a just verdict on the facts and under the rules of law that I am charged to give you at this time.

I might say that these instructions, which are more or less written out now, run on at a length that I find slightly appalling. I simply tell that to you, I don't apologize to you for that. These are the instructions that, with the advice of these able lawyers, I have concluded need be given to you. They will not be as interesting rhetorically -- I mean that -- as the very effective arguments you heard yesterday. If they become interesting in the sense that any inflections appear in my voice that seem to suggest points of view you should ignore those. In that respect the charge is intended to be uninteresting

the way neutral presentations are, and above all it is the trial judge's job to be neutral within the rules of law that govern all of us in this courtroom.

Your decisive task, as all of us have told you in the beginning, is to seek the truth, and my relatively subordinate obligation, as I have said, is to tell you the rules that apply to this case and the rules that apply to the particular charges that had been made against the defendants before you.

The vital thing is the truth and that you are to determine from the evidence or lack of evidence in the case as it has now been placed before you. You are to do that with detachment, objectively, without bias or prejudice or sympathy or leanings toward one side or the other, except as the rules of law give certain benefits or burdens to one side or the other in a lawsuit in an American courthouse.

Subject to those rules of law these parties, all parties, appear before you as equals. One side is called the United States, the government; the other side are two individuals. Both within the rules of law are equal and entitled to equal treatment under those rules.

You know -- and I don't mean to offend you

A 1416

by reminding you but I suppose it is permissible to remind you -- that this is a serious business. If occasionally it has been lightened by a jocular remark, that doesn't detract from or change the seriousness of a criminal proceeding. It is not a game, it is not a question ever of who won or lost more rulings on objections or motions or whatever.

You know that all of us who are lawyers, including judges, who by and large are elderly lawyers, are trained to be contentious, and so in debating procedural things as the case went along we may have become contentious. That is of no consequence whatever now. None of the decisions on rulings imply or suggest or import any view of mine on how this case ought to go in respect of the things that are your total and exclusive responsibility in respect of what will be a just verdict on the issues that have been placed before you.

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That, as I say, is to be determined on the basis of evidence, of which you have heard a good deal. You have heard testimony. You have before you and available to you when you are in the jury room a rather considerable number of exhibits. From time to time some facts have been stipulated, agreed to be true, and you may consider those agreed facts as a part of the materials from which you will undertake to reconstruct the events in this case accurately and truthfully.

Let me remind you of some things that aren't evidence. For your convenience and to spare my having to read all of that to you as we go along, I have asked that you be given copies of the indictment, which you may look at and which you may want to have reference to when you retire to deliberate. Obviously I would not wish you to read it now, except as we point out certain things going along. But at this point let me remind you,and you probably have no need for this reminder, but let me remind you that that document, that paper, isn't evidence. It is just a set of accusations that have been made against these defendants that have led ultimately to this trial and that will frame or help to frame the issues for your decision.

Remember again and throughout that nothing

A 1418

said by the lawyers is evidence. If a lawyer suggests something, in a question or speaks of knowing something that is rhetoric and part of his job. He is not a witness and you know that the lawyers were not witnesses, none of them, to the events in question.

You know still more clearly that nothing I have told you is evidence. I certainly wasn't a witness. I am in no position to give you evidence. Remember that as you proceed to deliberate on the things that are evidence.

Now, you heard summations yesterday. It is sometimes appropriate or thought to be appropriate for a trial judge to sum up or marshal the evidence. I think you will not be displeased to learn that I do not intend to do that.

Now, in framing issues for your decision as we go along I may touch upon items of evidence only to the extent necessary to state those issues so they are understandable. Please understand that if I touch on a couple of items of evidence that is not intended to be a summary and if I say two sentences to describe the evidence on one side and three sentences on the other that doesn't mean one side is weightier than the other. It just means that is the way I said that particular issue. And you will consider it in that light.

A 1419

Again and finally, and I won't repeat this, remember that nothing said in these instructions is to convey any view of mine, because I have none for any purpose that we could care about, as to where the truth lies. That is your responsibility and when these instructions are done that is what you will go to the jury room to seek.

Let me say one other incidental kind of housekeeping thing. I have warned you that this charge will go on. We haven't followed that practice in the past, but let me suggest that if any of you as I go on feel the need for a respite, and I am sure we will have to take a recess in the middle of this charge, though it harks back to days when most of you were younger, raise a hand or something and we will call a recess as soon as I come to the end of a sentence or a page or whatever, and if you don't call a recess, when I get hoarse enough I may call one. But that is the way we will proceed.

Now, in response to that indictment both fendants on trial in this case entered pleas a while ago of not guilty. From then and throughout and until now and later when you go to the jury room that has meant that the Government has had the burden of proving guilt beyond a reasonable doubt before either of these defendants could

A 1420

be convicted on any one of the charges against them.

Now, that is a burden that never shifts. The Government has had it, as I say, throughout. It is not a burden that is to be appraised in terms of how long the evidence took, how many witnesses or documents there were on one side or the other.

It is to be appraised on the basis of the whole record, the record of evidence and any lacks or gaps in the evidence as you perceive them. It is not to be judged now in terms of one witness or one document at a time. It is not a question whether you are convinced beyond a reasonable doubt by any particular witness.

It is a question whether when you take this record as a whole and see the conflicts in the evidence and undertake to resolve them to your satisfaction, it is a question whether after all of that and your considerations of this entire record and all the evidence together you are convinced that that whole record shows guilt beyond a reasonable doubt on any one or more of the counts in the indictment.

Unless you are so convinced, of course, you must acquit the defendants.

Now, it is another principle and a kind of correlary of that burden of proof that a defendant in

A 1421

a criminal case in our courts is under no burden or obligation to prove his innocence.

A defendant, although these defendants have presented evidence, is not obliged to present any evidence at all. A defendant in our system comes to court presumed to be innocent.

Now, that presumption too persists throughout and will be with these defendants when you retire to the jury room. It means that they must be acquitted until or unless that presumption is overcome and you are then convinced beyond a reasonable doubt that either or both defendants are guilty of one or more of the charges against them.

Now, you have all heard many times before you came here of the concept to which I have referred so often in these few minutes and to which you heard proper references yesterday, the concept in our criminal law of proof beyond a reasonable doubt.

It is not something that can be defined with the precision of a chemical formula, but it is something that is customarily defined and necessarily defined in instructions to juries in criminal cases, and I give you some of those familiar items of definition now.

First of all, the notion of proof beyond a

A 1422

reasonable doubt means what the literal words undertake to convey. It means a doubt that has its foundation in reason, reason applied to the evidence or lack of evidence in the case before you.

It is a doubt that has substance and is not merely shadowy. It is a doubt that has its inception in your collective judgment and your common sense and your experience, all applied to the record that has been made before you in this trial.

It is not an excuse to avoid performing an unpleasant duty. It is not a guise or a pretext for extending sympathy to anyone or any defendant.

A reasonable doubt is the kind of doubt that would cause a prudent person to hesitate before taking action in some affair of importance to himself or herself.

Saying that in more words, if you have, as all of us have had, a serious decision to make, and if you then proceed cooly and objectively to review in your mind all the factors that have a bearing on that decision, and if at the end of that process you find yourself beset by uncertainty and unsure of your judgment, you have a reasonable doubt.

And the converse of that, for your purposes, is likewise true. If you have such a serious decision

A 1423

jhrf 7

to make, and if you proceed to the kind of cool and objective review of the pertinent factors that I have described, and if at the end of that you don't have that kind of uncertainty or reservation about the judgment, then you don't have a reasonable doubt.

Now, proof beyond a reasonable doubt does not mean proof beyond any doubt or proof to a mathematical certainty. If it meant that then nobody could ever be convicted in any criminal trial. And I say that because logically it is not possible to establish questions about matters of fact, and most clearly questions about matters of fact lying in the past, it is not possible to establish the answers to such questions beyond any conceivable doubt or to a mathematical certainty.

So that is not the kind of proof we refer to, that is not the kind of certainty we refer to in this setting.

On the other hand, putting a point on this, I suppose the main point in the end is to convey to you that in a criminal case in our courts the burden of proof on the prosecution is a very high one and that you may convict on any count only if in the end your minds unanimously are free of the kind of uncertainty or the kind of hesitation I have described in these instructions.

Now, let's move toward -- I say, "toward"

A 1424

because I have some general and introductory things to say about this -- the charges in this indictment and the problems that they will present for your decision.

I might say that it is required under the law that all of the issues and all of the elements in the case be placed before the jury. That will include things that in your wisdom you may find less important and things that you find more important when you come to what you may come to perceive as the heart of the matter. It is one of the reasons the instructions take a while, but these are the commands of our law and we are all obliged to follow them.

Now, here in this indictment you have four counts or four distinct criminal charges. They break down into the first three, which are so-called substantive charges, and the fourth count, which alleges a conspiracy.

Now, in very shorthand terms, and we will be elaborating on the shorthand as we go along, the first count charges what may be described as a fraudulent scheme or device in connection with sales of securities.

The second count, again, in shorthand, is a charge of so-called mail fraud, alleging a scheme or device to defraud in connection with the same transactions, of course, that we are concerned with throughout the case,

A 1425

and further alleging that for the purpose of executing that scheme the defendants mailed or caused the mailing of certain written communications.

The third count, more shorthand, is a charge of wire fraud. It charges the same basic scheme or device and then it charges that for the purpose of executing that scheme the defendants transmitted or caused to be transmitted certain telexes, telegrams or telephone calls, using interstate means of wire communication, contrary to another federal law.

Then there is the fourth count, which charges that these two defendants conspired together to commit the substantive violations that are the subjects of the first three counts.

Now, it may help you if I stop for a minute very briefly to distinguish the concept of a substantive offense in this setting from the notion of conspiracy.

As I will be mentioning again a good number of pages hence, the gist of the crime of conspiracy in our law is a combination or agreement or understanding between or among two or more people to act together to commit some criminal offense. As I say, it is the agreement that is the gist of that crime. The offense that they undertake together to accomplish is the substantive crime.

A 1426

Let me illustrate that for a minute by taking a crime that I think one may fairly say has nothing to do with this case, that I just give you for illustration. And I don't mean to diminish the analogy or the figure of speech that Mr. Maloney used in his summation. But take the case of a bank robbery.

You could have the substantive crime of bank robbery, robbing a bank. You could have a conspiracy to rob a bank. If two or more people got together and agreed to rob a certain bank and they took one or more steps to carry out that agreed arrangement they could at that point be guilty of the crime of conspiracy even though they never got around to robbing the bank.

The gist, as I say, is the agreement, plus one or more steps toward the execution of the agreement, and the robbing of the bank, if it is alleged to have been done, is the separate substantive offense.

And so here. You have three charges of substantive crimes and then the fourth, which is a conspiracy to commit one or more of those crimes.

Now, that all adds up to a fair amount of talk and necessary talk in a criminal proceeding. I will be telling you for each crime about the essential elements required for each, but let me remind you now, and I will

A 1427

from time to time remind you as we go along, that in the end the focus may be much narrower than the full range and breadth of these discussions.

Specifically, as you certainly are aware, the alleged crimes all relate to these interests in Arctic oil and gas permits. It is alleged that the defendants, motivated by a profitable business and business prospects with the Fund of Funds, that IOS subsidiary, it is alleged that they contrived to carry out a scheme of sales of part of the Fund of Funds partial Arctic interests that would purport to be arm's length market transactions and that would thus purport to serve as a basis for ascertaining the market value of the remainder of the FOF holdings and would thuse serve as a basis for very substantial upward revaluations of the Arctic interests retained by FOF.

It is alleged that the sales in question only purported to be arm's length market transactions because there were secret arrangements or side deals with the purchasers which actually made them something less than arm's length transactions, which they appeared to be on their face, and thus made them in their effect fraudulent for purposes of those upward revaluations.

While I repeat, you will want to consider all

A 1428

the elements that I am proceeding to lay before you, you may conclude in the end that the focus comes, the critical questions come in connection with two particular sales, the sale to John Mecom and the sale to Consolidated Oil & Gas Company, or COG, as we have come to think of it in this case.

I will, as I say, be coming back to that and to the important problems it presents to you as we proceed through these instructions.

Now let's summarize, again, without reading, summarize in slightly greater detail the document before you, the indictment in this case, that runs some 14 pages. Again, let me ask you not to read it, but let's just look through it.

The first part of it is called an introduction and it alleges a number of things, many or most of which are not really in dispute, and all of which are essentially familiar to you at this time. It tells the identities of the people and companies involved, it tells you about King Resources, Fund of Funds, some natural resource subsidiaries of Fund of Funds through which the Arctic transations were handled, it tells you the essential nature of the Arctic purchases by the Fund of Funds from KRC, the purchases that come in the end to set the scene

A 1429

for the problems that have engaged you and all of us in this case.

It is alleged, and I gather it is indisputed, that the business of KRC with FOF was very profitable to KRC and to the defendants before you, and this is put before you as an alleged motivation, reason, for the crimes with which the defendants are charged.

Then the COG and the Mecom sales are alleged, among others, and the charges are made, stating that these were not normal market arm's length transactions because of secret understandings or conditions or side deals between the defendants, using the King Resources Company or other companies, and the ostenisble purchasers, and that quality or alleged wrong, the quality of concealed deals that made these transactions other than market arm's length transactions, which they purported to be, that is the subject, of course, that runs all through this case, all through the four counts of the indictment.

Now, after alleging all those introductory things the indictment reaches the statutory allegations, so-called, of Count 1, and you come to them at page 8 of the indictment, and that is the count which I have described for shorthand as the securities fraud charge in this indictment.

A 1430

Now, I am not going to burden you throughout these instructions by reading laws at you, but let me tell you just in connection with this first count, for your general background understanding, the nature of the criminal law and the nature of criminal prosecutions, and then, in that setting, the nature of these charges.

Federal crimes are all wrongs that are defined by Congress. There was a time in our legal history when we had so-called common law crimes, crimes that were defined by the judges. We don't have them in the federal court and I think we substantially don't have them in our states any more.

In any event, in order for conduct to be or to be charged as a federal crime it must be charged as a violation of some law enacted by the Congress, and that is true here.

I won't read you the others, but let me tell you that Count 1 of this indictment is laid, as lawyers say, under the Securities Exchange Act of 1934, and it charges the defendants with violating a section of that Act and some provisions of rules of the Securities and Exchange Commission promulgated by the Commission under the authority of that Act.

Now, Section 10b of the statute, which you don't

have to memorize, and none of us have, says, in part, the following, and I am quoting:

"It shall be unlawful for any person, directly or indirectly, by the use of any means or instrumentality of interstate commerce or of the mails, to use or employ, in connection with the purchase or sale of any securities any manipulative or deceptive device or contrivance in contravention of such rules and regulations as the Securities and Exchange Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors."

Then I said there is a rule of the SEC promulgated as that statute contemplates and it says, and again I quote:

"It shall be unlawful for any person, directly or indirectly, by the use of any means or instrumentality of interstate commerce or of the mails (1) to employ any device, scheme or artifice to defraud, (2) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made in the light of the circumstances under which they were made not misleading, or(3) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person, in connection

A 1432

with the purchase or sale of any security."

Now, that first count, as I have said, charges a violation of that statute and rule, and we won't do this regularly, but let's, just so you have a sense of this, read these statutory allegations together, the ones at page 8, paragraph 29 of this indictment. They say:

"From on or about the 1st day of January 1968 up to and including the date of the filing of this indictment, in the Southern District of New York and elsewhere, the defendants John M. King and A. Rowland Boucher, and other persons unknown to the grand jury, unlawfully, wilfully and knowingly, by use of means and instrumentalities of interstate commerce and the mails, did directly and indirectly use and employ in connection with the purchase and sale of securities, to wit, undivided interests in Canadian Arctic oil and gas permits, manipulative and deceptive devices and contrivances in contravention of Rule 10b-5," which I have just read from, "of the rules and regulations of the United States Securities and Exchange Commission, and did (a) employ devices, schemes and artifices to defraud, (b) make untrue statements of material facts and omit to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading,

A 1433

and (c) engage in acts, practices and courses of business which operated and would operate as a fraud and deceit upon FOF and Growth, their shareholders and directors, their auditors, Arthur Andersen & Company, and other persons."

Now, if, as I know, you were following, you will notice that the allegations charge conduct occurring within the Southern District of New York and charge conduct in connection with the purchase and sale of securities. On those two items I want to mention very briefly a couple of things that you don't have to worry about.

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First I instruct you, as you probably know, that the Southern District of New York includes Manhattan, New York City, where we are now sitting.

Second, so far as the problems of this case are concerned, I instruct you that an undivided interest in oil and gas permits such as those in the Arctic about which we have heard is a security within the meaning of the statute and rule as I have given to you.

For analysis and understanding of criminal charges in jury deliberations or deliberation by a judge sitting without a jury it is standard procedure and a standard mode of thought to define a criminal charge in terms of the essential elements that the prosecution must prove before there may be a conviction. It turns out in the standard formulations that each of the four counts in this case involve three essential elements, and I now instruct you with respect to count 1 that the government, before you may convict either defendant, must have proved beyond a reasonable doubt each and every one of three essential elements. Each and every one means what it says. If any one of those essential elements has not been proved, then you must acquit.

Here are the essential elements.

First, that the defendant, the particular defendant you are considering at any given time, in connection with the sale or purchase of an undivided interest in Arctic oil and gas permits, did one of the following:

(a) Employed any device, scheme or artifice to defraud; or,

(b) Made an untrue statement of a material fact or omitted to state a material fact that under the circumstances should have been made to make the statements that were made not misleading; or,

(c) Engaged in an act, practice or course of business that operated or would constitute a fraud or deceit upon any person;

Second, that the defendant you are considering engaged in such conduct knowingly and wilfully with an intent to defraud; and,

Third, that the defendant you are considering used or caused to be used the mails or means or instrumentality of interstate commerce in furtherance of the fraudulent scheme.

I am going to go back over those three essential elements and elaborate upon them one at a

hpa3

time, perhaps at some length, but some of the things that I say here will have application to the later counts and it will not be necessary to repeat or at least not necessary to repeat in number as we go along.

First, the requirement in the first element, the burden of proving the existence of a scheme to defraud. Most of the words I have read to you, though some of them are involved sentences, are fairly clear and definite. Let me remind or tell you that a scheme is simply a design or plan for the accomplishment of some goal or purpose or object.

Fraud is a sweeping term. It embraces all the possible means by which human ingenuity can seek to gain an unfair advantage by one person, the perpetrator of the fraud, over another through the use of misrepresentations, false statements or omissions that suppress the truth. Hence, a scheme to defraud is a plan by which one person seeks to obtain money or property by means of representations as to material facts that are false and untrue.

As you have heard as I read the statute and the rule and as you know anyhow from having sat and concerned yourself with this case such misrepresentations

hpa4

can be made in one of two ways. First, by positive statements of facts or asserted facts that are simply not true; second, by the omission from what is said of material facts that are necessary to make whatever was said truthful.

By that -- and as we get more concrete this becomes I think perfectly simple and clear -- I mean as you know from experience that a statement, so far as it goes, may be literally true but it may nevertheless be false if it omits things that would be rationally necessary to avoid misleading and deceiving the person or persons to whom the statement is made. If statements are made in a business or other transaction which are true in themselves but if they omit material facts, if they omit facts that would be significant with the conduct and understanding of any person or persons to whom the statements are directed, the omission may cause the statement as made to operate as a fraud and a deception.

Again, I have stated the proposition somewhat abstractly and at characteristic length but you will be returning to these instructions always to the concrete circumstances of the case before you and the concrete charges -- the concrete charges, I say --

hpa5

all of which are denied or disputed in one way or another, as those concrete things are placed before you for decision.

You will recall at every case, every point, what this case is about. It is about at the end the sales to Mecom and to COG. It is charged that the terms of those sales as they were stated and reported to FOF, its directors and its auditors, were accurate accounts of what was reported, but it is alleged that those accounts or statements or documents left out secret side deals and understandings which had they been revealed would have shown that the transactions were not at arm's length, were not good-faith sales and purchases of a standard market variety and so for that reason, as it is alleged, could not fairly be deemed to be the kind of indication of market value that arm's-length sales of a substantial portion of the FOF interests could have supplied for purposes of re-valuation.

The focus, as I say, is on the sale to John Mecom and the sale to COG, which together were used primarily, perhaps with some other incidental things that are of less consequence to us, as the basis on which FOF proceeded at the end of 1969 to revalue its

A 1439

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entire Arctic leases or permit holdings. That, as you know, is alleged to have been the purpose of the sale, to supply a basis for that revaluation.

For that purpose the sales have an interest, and it seems to be agreed that it had to be more than a trivial interest and we have heard a lot about something in the vicinity of 10 per cent, and all that is left for your judgment as you zero in on these facts for the purpose of that revaluation the sale had to be arm's length, a phrase that you have heard a lot. That meant it had to be a sale at a price agreed upon between a self-interested buyer and a seller where each was seeking the best available price and bargain for himself and where there were no hidden concessions or conditions that would make the price other than a price arrived at in such arm's-length, self-interested bargaining. It is that kind of sale that I think all are agreed could fairly be used as a basis for the revaluation which FOF was required to undertake from time to time in its public accounting.

Now, I have told you and I remind you that I don't intend to add a summation of my own. But let me remind you of the basic contentions in this regard with respect to each of the two critical sales

hpa7

in question.

It is contended by the government and the government claims to have proved that there were side agreements with Mecom undisclosed to FOF or its auditors that included the following arrangements:

1) That Mecom would be assured of net cash receipts from business with KRC or with King-related companies in the form of drilling work in the Arctic or elsewhere sufficient to supply him with profits for the payments called for under his contract for that purchase of the FOF interests.

2) That Mecom would be advanced by KRC or a King-related company the money needed to make the down payment of something in excess of $260,000.

3) That Mecom would not be obliged to pay any money out of his own pocket other than moneys advanced to him by KRC or obtained by him from KRC to King-related companies.

4) That the defendant John King or a King-related company would at Mecom's request buy back the Arctic interests and hold Mecom harmless from any obligation to make the payments that purported to be due under the sales agreement.

The defendants deny these allegations or

A 1441

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deny that the arrangements on which the government focuses were actually wrongfully-designed, secret deals calculated to make the Mecom transaction something other than arm's length.

When I say the defendants deny these things I don't want to mislead you. I remind you that the defendants are under no burden of proving their version of these events. It is the government that has the burden of proving its version. Nevertheless, issues are made by an assertion and a denial and I formulate these issues for you in this way, reminding you throughout that the burden lies on the prosecution's side.

Continuing with that understanding, the defendants say -- and again this is only a brief sketch to help fix the issues in your mind -- if there were contemplated arrangements for the use of Mecom's drilling facilities, these were entirely legitimate and independent business arrangements, not made or designed as secret inducements or side deals in connection with the Arctic purchase.

Similarly, the defendants say that the $275,000 payment to Mecom from one of the King companies, most of which, as you know, seems to be undisputed, was used by Mecom for the down payment, defendants say

hpa9

that was not a secret concession or side deal but an independent arrangement with independent business justification that either existed at the time or was within the contemplation of the parties.

Moreover, the defendant Boucher, as I understand the record -- and always it is your understanding of the record that controls -- denies that he had knowledge of this advance to Mecom. It is denied that there was any agreement or understanding at the time Mecom made the purchase that either the defendant King or any of his companies would on request buy back the interests that purported to be sold.

Later, as I understand the testimony, the defendant King has testified in February, 1970 or thereabouts he expressed a willingness to Mecom to help sell Mecom's Arctic interests or perhaps to buy them back himself, but this, Mr. King says, was never part of the arrangements or understanding, never a side deal or agreement or secret at the time Mecom made the purchase from FOF.

Now I will be briefer again, just to help you set these things in your mind before you go to begin to decide the case, I will be briefer in giving you the same account with respect to COG.

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As to that deal with respect to which you heard Mr. Trueblood and others the government urges a comparable series, perhaps a shorter series, of secret understandings or side deals.

Again, there is a claim, among other things, of a buy-back, buy-back agreement, between Mr. King and Mr. Trueblood.

It is charged in addition that COG at the time of the sale was promised secretly advantageous business deals, such as the later Bristol Bay purchase, from which COG could earn profits to pay, at least in part, for the Arctic leases.

Again, there are the denials you have heard and the explanations you have heard that disputed at every point the existence of such side deals or secret understandings.

In fixing these problems in your minds you will know, you have heard correctly from both sides, that buy-backs, to name one important subject that has been mooted here, are not in themselves illegal at all, that you can sell something and agree to buy it back at some future time under given circumstances without incurring any criminal or civil liability for that. The same is true of helping somebody find financing

A1444

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for a purchase from you or for some other kind of alleged arrangements about which you have heard in this case.

The gist of the charge, to return to it, is that these agreements for buy-backs or concessions or financing were made secretly and were concealed from the Fund of Funds, its directors, its shareholders and auditors so as to make those two sales appear to be arm's-length market transactions when in fact they were not. And that of course, to keep reverting to it, is the heart of the case.

I have told you that part of the case is comprised in the end for your purposes of two transactions, Mecom and COG. I now instruct you if it establishes all the other things it must prove the government is not required to prove its contentions with respect to both the Mecom and COG transactions. It would be sufficient in this aspect of the case if the government has satisfied you that there was a fraudulent, nonarm's-length arrangement with respect to one of those purchases.

Similarly, you are instructed that to prove that one or the other or both of these transactions was fraudulent the government is not required to

hpal2

prove that all the side deals or understandings it alleges were established beyond a reasonable doubt by the evidence respecting that transaction. It would be sufficient, if you are satisfied beyond a reasonable doubt, that there was at least one material substantial and significant understanding or side deal undisclosed to FOF, the directors, the auditors, shareholders, one such material substantial, significant understanding or side deal that destroyed the arm's-length quality, which is, of course, your essential concern in this case.

And now to narrow this funnel, I hope, for your guidance let me be more specific about that. With respect to the Mecom transaction, spelling out this point that only one substantial, significant and material side deal is required, that burden would be satisfied if you are satisfied on your review beyond a reasonable doubt that with respect to Mecom any one of the following side arrangements or secret understandings was made as a condition or integral part of that sale of Arctic interests:

1) That Mecom would be provided with net cash receipts from business with KRC or other King-related companies primarily through drilling work in

A 1446

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the Arctic or elsewhere sufficient for him to make the payments called for under his contract; or,

2) That Mecom would be given an advance of $275,000, or approximately that amount, an advance on future net profits to be anticipated from Mecom's drilling work, an advance by King or a King-related company, to enable him to make the down payment required by that Arctic contract; or,

3) That Mecom would not have any obligation or liability under his contract to pay any amount beyond amounts advanced to him by King or a King-related company; or,

4) That the defendant King or one of his companies would, if Mecom requested it, buy back the Arctic interest from Mecom and assume and hold him harmless from all obligations under that contract.

As I say, any one of those, if you find it is a material and substantial and significant side agreement in the Mecom transaction, concealed in the manner I have been describing, would be sufficient to make out the government's case in this aspect on this subject.

On the other hand, still with respect to Mecom, it would not be sufficient on this central

hpal4

requirement if you were to find that as separate and independent matters and not as integral parts or conditons of the Mecom Arctic purchase any or all of the following conditions exist:

1) That KRC or King-related companies had business transactions or negotiations such as negotiations relating to possible purchases of properties or the contemplated use of drilling equipment of Mecom by KRC or another King company.

2) That Mecom in fact used an advance from a King company for his down payment, provided of course that this had not been an understood condition of the deal from the outset.

3) That the possibility of a repurchase was discussed at some point but there was no commitment or guarantee at the inception that there would be any kind of buy-back such as the government alleges was promised when the deal was first made.

As I say, if you find any or all of those things but you are not satisfied that they were integral parts and conditions of the transaction from the beginning, side deals as I have earlier described them, then these things or all of them would not be sufficient to make out the government's burden of proof on this

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charge of an illegal fraudulent scheme.

Similarly with respect to COG. I will instruct you again that if you find the government established as conditions of the deal or a condition of the deal there was a secret understanding with respect to either of two things, (1) that COG would be provided with the net cash receipts from business with KRC or King-related companies, such as the sale by COG to KRC of acreage in that Bristol Bay area, from which COG would be enabled to make some or all of the payments called for under its Arctic contract, or (2) that it was secretly agreed at the beginning that COG could turn back the Arctic interest to KRC cancelling COG's obligation to make any future payments under that contract, again, following the same analysis, you may find the case made if either or both of those things prove to you beyond a reasonable doubt integral conditions of the deal, integral parts of the deal made as secret, undisclosed side understandings.

On the other hand, if you find that as separate, independent matters and not as secret understandings at the time the contract was made any one or more of three existed that would not be enough

A 1449

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to satisfy the government's burden on this element:

1) That KRC and COG had purchase and sales transactions with each other independent or and apart from the Arctic transaction, whether this related to Bristol Bay or any other place.

2) That KRC or King-related companies introduced Consolidated, COG, to banks or other sources of financing from which COG obtained or attempted to obtain loans to use on the Arctic transaction.

3) That COG participated or planned to participate with KRC in promoting the Arctic venture.

I hope that makes clear to you the extent of the government's burden, the limits on the government's burden and, equally importantly, the things that would not satisfy the government's burden with respect to the first element, the required proof of the secret, fraudulent scheme which constitutes the first third of the things comprising this crime.

In this same connection let me say that it is part of what the government charges that there was a fraudulent scheme of the kind we have been talking about which was intended to mislead the directors or the shareholders or the auditors of FOF or all three of those groups. I instruct you, however, that the

A 1450

government is not required to prove that any or all of those target groups in fact suffered from the misrepresentations or incurred damages as a result of them. It would be sufficient, strictly speaking in terms of the law, if the false statements or deceptive omissions occurred, if they related to material facts and if you found that they were made in the expectation that the objects or recipients of those misrepresentations would rely upon them. At the same time evidence that the allegedly false statements or omissions were relied upon and that they were effective may be considered by you in determining whether the fraudulent scheme or device alleged by the government is actually shown to have existed.

You will recall in this connection things you heard in summation and you may consider them. You will recall the government's contentions that in fact the misrepresentations were effective in that they did result in substantial upward revaluation of the FOF Arctic interests.

It is claimed that the auditors were misled in their understanding of the COG, Mecom transactions and in the resulting statements those auditors made to FOF and the public about those deals.

A 1451

It is also charged that the shareholders, at least some shareholders, of FOF suffered losses from buying FOF shares at fraudulently inflated prices and then selling or holding them at prices that fell or were reduced shartly when the later downward revaluation occurred.

You may consider such claims, as I have said, as part of the evidence that is placed before you in deciding whether the fraudulent scheme the government claims to have proved has in fact been proved to your satisfaction beyond a reasonable doubt.

Let me mention, simply to put it in its proper perspective, another aspect of the evidence that has been placed before you. You have heard and I have already mentioned what I think is now essentially undisputed, that FOF was for KRC and other King companies, a very valued and a very profitable customer. You have heard that properties were sold by KRC or the Colorado Corporation to FOF or its Arctic subsidiaries at very considerable markups. You have heard that both the defendants with their large stock holdings in KRC enjoyed increases of their wealth, however temporary or permanent, as a result of these lucrative transactions.

A 1452

I want to instruct you very simply on this. There is nothing illegal or wrongful about cultivating a good customer in our system or enjoying generous markups. There is no claim that the markups, however large or small they were, were in themselves illegal in any way. I simply tell you that this evidence as to the profitability of the KRC business with FOF has been allowed in this record solely on the question of motive.

Now, I did not list motive as an essential element of any of the offenses and it is not strictly speaking an essential element. But it is, as your general experience teaches you, a subject that may be and often properly is argued pro and con in a criminal case or any kind of dispute in a lawsuit. The question is always open when there is an accusation of a crime or other wrongful conduct, whether that accusation is more or less founded because there is a demonstration, more or less, of a reason or no reason for the accused person or persons to have engaged in the conduct charged against them.

The evidence of markups and profits has been allowed to come before you only on that question, only on the government's effort to prove a motive.

A 1453

You will understand that, you will limit your attention to that subject in that light and consider the evidence of motive only for the purpose I have just defined for you.

Now I come at this point to the end of the elaboration of the first essential element of count 1, and then coming to element 2 I instruct you -- and this applies throughout -- that before you could convict either defendant you must find that he engaged in the conduct in question, acting, in the law's words, knowingly and wilfully. There are some general definitional terms for those words and I give them to you though they are not esoteric or special but they are important because we talk here about what constitutes criminal intent for our purposes.

We say in this setting that an act is done knowingly if it is done voluntarily and purposely and with an understanding of its nature and its effects and not as a result of mistake or accident or mere negligence.

We say an act is wilful if it is committed with knowledge, purposely, deliberately.

To show wilfulness in this setting it is not required to be shown that a defendant, in addition

A 1454

to knowing what he was doing, also knew some particular law or rule or laws or rules that forbade the conduct in question. But it is necessary to show, before you can find the kind of knowledge and wilfulness required, that the defendant had an awareness that he was acting wrongfully, acting with a bad or evil purpose in the sense of knowing his conduct was not lawful, and acting prepared to disobey or disregard the requirements of the law.

The defendants, before they or either of them may be convicted, must be shown to have had a specific intent to defraud. This means they must have engaged in knowing and deliberate deception, the knowing and deliberate making of false statements or the knowing and deliberate concealment of true, material facts, with an intent to deceive for the purpose of causing financial loss to others or bringing about financial gain for themselves.

By that same token, since it is required that there have been a specific intent to defraud, it follows that good faith on the part of a defendant in such a case is a complete defense. A defendant, I remind you, has no burden of proof, and so here neither defendant must establish his good faith. The burden

A 1455

is on the government to prove fraudulent intent and by that token to prove a consequent lack of good faith beyond a reasonable doubt.

So I simply tell you that in considering whether that burden has been established. False statements or omissions don't amount to fraud unless they were made, the statements or omissions, with the kind of fraudulent intent I have described.

A 1456

They can't be guilty if the statements or omissions were made in good faith. An honest belief in the truth of particular representations or an honest belief that there are no concealed omissions that make the statements given false would require that a defendant entertaining that kind of belief be acquitted of charges like the ones before you.

Now, at the same time, in considering whether or not a defendant, either defendant, acted in good faith, I instruct you that a belief by any defendant, if there was such a belief, a belief that everything would work out so that no one would lose any money does not in itself require a finding by you that the defendant acted in good faith. No amount of belief by a defendant that a venture will succeed and nobody will suffer excuses knowing and wilful fraudulent actions by him or knowing and wilful false representations that expose or may expose others to the danger of reliance and resulting losses.

So to sum up on this subject, in order to sustain the charges against these defendants or against either defendant the Government must establish beyond a reasonable doubt that the defendant knew that his conduct as a participant in this alleged scheme was calculated to deceive the directors, auditors or

jhrf 2

shareholders of Fund of Funds and that he nonetheless participated in that conduct, associated himself with the fraudulent scheme.

Now, very briefly, how do you consider the subject of knowledge, wilfulness, intent. Those are matters, as you know, that relate to the state of a persons mind, what he thought or purported or desired or intended at some particular time. That is a subjective phenomenon.

We don't have equipment for perceiving directly with our senses normally the state of anybody's mind. Yet it is a fact, as some English judge said long ago, as much a fact as the state of somebody's digestion. Both are facts, however, that are not normally ascertainable by so-called direct evidence of your senses.

And so we rely commonly, outside the courthouse as well as inside the courthouse, on indirect proof of such things, on so-called circumstantial evidence. We tell every day and in the courtroom one way or another what people intend or believe or think or desire by looking at all the circumstances. We look at the behavior, the overt behavior of the person in question. We consider the person himself or herself, his maturity, his understanding, his awareness, his sophistication, or the lack of any of those things.

jhrf 3

We look at all the circumstances in which the behavior occurs. We look at whatever direct evidence we get from the person himself telling us about the state of his belief and knowledge and intention. And then we put all of that together, such direct evidence as we have and such indirect evidence as we have familiarly relied upon for such things, and decide on that basis the state of the person's mind. You will do that here in deciding whether the Government has established beyond a reasonable doubt the kind of knowledge and wilfulness I have been talking about as the second essential element in Count 1.

Then there is the third essential element. If you find the kind of fraudulent scheme I have defined and talked about, if you find the requisite showing of knowledge and wilfulness, the Government must still have proved beyond a reasonable doubt the use of the mails or of a means or instrumentality of interstate commerce in furtherance of the alleged scheme to defraud.

Now, this like everything else is for you to decide on the basis of the evidence, the gaps in the evidence and the reasonable inferences you draw from this record, to decide whether the Government has proved beyond a reasonable doubt that the defendant you are considering at any given moment by his personal act or actions in

jhrf 4

some way, directly or indirectly, caused the use of the mails or a means or instrument of commerce to further this fraudulent scheme.

Now, on that, without pretending to summarize, let me say or remind you that the Government has introduced evidence of various mailings in connection with the sale of Arctic oil and gas interests and in connection with the following revaluation of the Fund of Funds interests and the Government has introduced evidence of interstate telephone calls, telegrams and travel used in connection with these transactions.

You are aware that there is no claim that all of the mailings or communications or travel was directly done or participated in by either or both defendants.

I tell you that for this third essential element the Government is not required to prove that a defendant himself actually placed or received in the mail any of the matters on which the prosecution relies or that he actually himself used the telephone or sent or received telegrams or traveled. It is sufficient for this that the Government must prove but the Government must prove at least that a defendant caused the mailing to be made or caused the interstate telephone call or telegram or travel, caused that in the ordinary course of the business

A 1460

jhrf 5

involved, provided always that you find that this mailing or use of an instrumentality was made in furtherance of, in the carrying out of the fraudulent scheme alleged in this first count.

Now, all of that is on the principle, which is reflected in the words of the statute that I read to you, that if a defendant knows or could reasonably foresee that his actions in such a scheme would naturally and probably result in the use of the mails or telephones, for example, then he has caused the use of the mails or telephones within the meaning of that applicable law and within the meaning of this indictment.

I am about to turn, and I suspect this will not cause you sorrow when I say that it will be somewhat more brief, to the second and third of the substantive counts. Can you bear with me for a while longer and postpone any recess? Again, I invite you to raise your hand, if that is not too far beneath your dignity, if you want a recess.

All right. I come to Counts 2 and 3, which I have respectively characterized as the mail fraud and the wire fraud charges.

Count 2 appears at page 9 of the indictment and Count 3 at page 10. In the form of the drafting of

A 1461

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indictments you will see that the second paragraph of each incorporates all the allegations of Count 1, and that is a quick way of reminding you that all the things that I have talked about under Count 1 are really the substance and the core and the center of these different charges in Counts 2 and 3. I think that must have become clear to you in light of the summations yesterday. Those summations weren't given to you in terms of this count or that count. In the end, substantially the same basic disputes about whether these were legitimate sales, legitimate arm's length sales, those same basic disputes pervade this whole case on all four counts.

Again, with that understanding, let me be, as I promised, somewhat more brief on Counts 2 and 3. They both charge essentially the same scheme.

Count 2 charges the use of the mails in furtherance of that scheme and Count 3 charges that, again, reading some words of it, "For the purpose of executing said scheme and artifice the defendants did transmit and cause to be transmitted certain wire communications."

Since they are essentially similar, except for those means of communication, which are, in lawyer's language, the jurisdictional facts, as it were, Congress

jhrf 7

said you must not use the mails in connection with schemes to defraud, it said in a separate statute you must not use these wire facilities, and that is why we get two separate counts here, because they are alleged violations of two different statutes, supposedly designed to protect these means of communication from use for illegal purposes.

So let me tell you that both of these counts, again, have three essential elements, and the first two essential elements are really the same as the first two I gave you under Count 1, and the third is different, because one is a mail fraud element and the other is a wire fraud element. So let me read the three essential elements to you with that understanding.

Again, all three must be proved before you could convict on either of these counts. The three essential elements are these:

First, that the defendant or defendants devised or intended to devise a scheme or artifice to defraud the directors, auditors or shareholders of the Fund of Funds by means of false or fraudulent pretenses, representations or promises.

Two, that the defendant or defendants knowingly and wilfully participated in that scheme with knowledge of its fraudulent nature and with intent to defraud.

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Three, that the scheme or artifice to defraud involved the use of the mails under Count 2 or the use of interstate or international wire facilities under Count 3.

The first element I told you is identical for all of our purposes with the first element of Count 1. So all that I told you about the nature of the alleged scheme to defraud and of the Government's burden of proof in its claim that it has established that scheme, all that I told you on that applies equally under Counts 2 and 3.

The second essential element in Counts 2 and 3 is knowledge and wilfulness. Same instructions. I have elaborated on that under Count 1. The things I said about a requirement of criminal intent there apply equally here in Counts 2 and 3.

Then there is the third element in each of these counts and that, of course, is the respect in which they differ.

Count 2, the mail fraud statute. To satisfy the requirements of that statute and the third essential element in Count 2 the proof must show that there was at least one use of the mails which was for the purpose of furthering or executing the alleged fraud.

I have said and I repeat that it is not necessary that the particular defendant you are considering contemplated

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the use of the mails as an essential element of the scheme, but it is not sufficient either that the mails merely happened by coincidence to be used incidentally as a result of the fraudulent scheme.

Now, between those I instruct you that to satisfy this element the proof must show that the use of the mails was intended in the sense that it was reasonably foreseeable as an incident that would occur in the furtherance or execution or continuation of the scheme to defraud.

I tell you too that a mailing can be for the purpose of carrying out a fraudulent scheme if it is designed to lull the victim of the fraud into a false sense of security, designed to postpone inquiries or complaints, or designed to make the transaction in question less suspect.

I have told you that you don't have to find for this purpose that the particular defendant himself actually mailed an item to constitute this aspect of the proof.

You must find, however, before you may convict either defendant, that if he didn't personally participate in the use of the mails he at least, in the sesne of the indictment and statute, caused the mails to be used.

Now, one in this sense can cause the use of the

jhrf 10

mails if he either knows that the use of the mails will follow in the ordinary course of business or if such use is reasonably foreseeable to the defendant in question as part of the events covered by the continuation, the elaboration of the fraudulent scheme.

Now, you remember from the summations that the Government in this connection charges mailings by the individual defendants and by others that are claimed to satisfy this third essential element and I instruct you that you must find at least one such mailing under the instructions I have just given you before you may convict on Count 2.

Now, similar principles apply, though we are dealing with a different technology, a different means of communication, to the wire fraud charge in Count 3.

Again, to establish the third element of Count 3 the Government must prove that for the purpose of executing the fraudulent scheme or artifice the defendant caused the transmission of sounds or signals by wire communications in interstate or foreign commerce or caused somebody else to make such use of interstate or international wire facilities.

I instruct you, I am sure you know, that interstate or internationational telephone calls or

jhrf 11

telegrams or telexes constitute the kinds of uses of wire communication to which this statute and this count are directed. Once again, the use of the wire communication must be for the purpose, in the sense I have defined for you, the purpose of furthering the alleged fraud.

As with the mail fraud, it is not enough that some wire communication happened to be made as a result of the alleged fraud. It must have been contemplated or foreseen or reasonably foreseeable as part of the happenings embraced within the continuation of the fraudulent scheme.

Again, the defendant you are considering need not himself have directly participated in the communication, but he must at least either have known that the use of wire communications would follow in the ordinary course of business or that this was reasonably foreseeable in the continuation and the carrying out of the contemplated steps of the fraudulent scheme.

Now, I have covered the essential elements of the first three counts, the substantive counts of the indictment. I am going to instruct you now about one statutory provision, one concept in that statute that the Government invokes here in connection with those substantive counts, and then, since you have been stronger than my

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voice has been, we will take a recess on my motion.

Let me say that the Government relies as part of its case under the substantive counts on a statute that covers the business of aiding and abetting, it relies on the aider and abettor statute.

Now, that statute, which embodies a fairly old and familiar principle of the law, says this. It is in two sub sections. It is Section 2 of the Federal Criminal Code, in case you have occasion soon to be looking it up. Section 2 says:

"(a) Whoever commits an offense against the United States or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal.

"(b) Whoever wilfully causes an act to be done which if directly performed by him or another would be an offense against the United States, is punishable as a principal."

And that means simply that with that concept as part of its claims the Government, if it shows the offense in question was committed, may obtain a conviction of a defendant even if the defendant did not himself directly participate in the crime if it can prove within the meaning of the law that that defendant was an aider and abettor, and what that statute says is that a person who aids and

A 1468

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abets somebody else to commit a crime is guilty of the crime just as if he had committed it himself.

Now, there are a few principles about that and you will keep them in mind. Obviously nobody can be guilty of aiding and abetting the commission of a crime unless it is proved beyond a reasonable doubt that the crime was committed, committed by whatever person or persons the accused is charged with having aided and abetted.

Now, what is aiding and abetting and what is an aider and abettor. Obviously to be an aider and abettor in this serious sense it must be shown that you had something more than mere knowledge that a crime was being committed. A mere spectator isn't an aider and abettor.

Now, how do you determine that somebody is an aider and abettor. To decide whether any defendant aided and abetted the commission of a crime the trier of fact, the jury, asks these questions.

Was that person acting wilfully and knowingly, associated with the commission of the particular offense? Did he in some way or other knowingly and wilfully participate in it in some direct capacity as something he wished to accomplish or bring about? Did he seek knowingly and wilfully by his own action to make that enterprise go forward and succeed? If he did, then you may find that the

jhrf 14

person in question is an aider and abettor.

I think, ladies and gentlemen, we are better than half way through these instructions. I think it is probably a good time for a recess. The next point to which I will proceed is the instructions on the conspiracy count and then a fair number of general instructions about the whole case and your deliberations and that I suspect will take us the better part of another hour. Why don't you take ten minutes.

(Recess.)

(Jury left courtroom.)

THE COURT: Gentlemen, I want to ask whether it would be useful or desirable to consider exceptions on the installment plan or whether you prefer to wait until the end.

MR. ARMSTRONG: I think it would be better to wait, Judge, if we could, so we could talk about them.

THE COURT: Sure. I just want to know your preference.

Have you made any progress on BG?

MR. MALONEY: We will report to you, your Honor.

THE COURT: All right.

(Recess.)

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(Jury present.)

THE COURT: Members of the jury, I told you we were going to pick up with count 4, which starts at page 11 of the indictment. I have talked to you a little bit about conspiracy. I will be a little bit repetitious just to make sure everything pertinent is said to you in one place.

Let me say simply that this conspiracy charge is a charge that these two defendants conspired, agreed, combined with each other, to commit one or more of the three substantive offfenses on which I have already instructed you.

The charge of conspiracy, like the others, has three essential elements:

First, the government must prove, always beyond a reasonable doubt, that at some time, for some portion of the period between January 1, 1968 and January 20, 1975, when the indictment was filed, there was an agreement or understanding between these two defendants to commit at least one of the crimes alleged in this conspiracy count, and that is one of the substantive crimes we have talked about.

Second, that the particular defendant you are considering at any given time knowingly and wil-

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fully became a participant in that conspiracy with knowledge of at least one of its criminal purposes; and,

Third, that one of the conspirators knowingly committed at least one of the overt acts set forth on the last page of the indictment in furtherance of that conspiracy.

You will have noticed that from time to time in these instructions I made a reference that may sound a little artificial or stilted to the defendant you happen to be considering at any particular time. There is a purpose in that, as in some of the other things we do. These defendants, you surely know, are individuals, they are separate individuals, and we don't deal in guilt by association. You have two defendants and you will be considering each of them separately, except in one sense where in the end, after you have considered them separately, I will tell you they both have to be treated the same way.

The fact that one person in our system is innocent or guilty of something is not in itself determinative as to anybody else. And so those words that recur in these instructions have been meant as a periodic reminder to you that when you go to the

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jury room you will have a separate human being, Mr. King, and a separate human being, Mr. Boucher, to consider each separately in his own right and his own responsibilities.

Coming back to these three essential elements. The first is the requirement of proof that there was the kind of conspiracy alleged.

I told you before, I repeat, that the essence of a conspiracy is a combination or agreement or understanding between two or more people that they will act together to do some unlawful thing, and that is the gist of this crime. It is often said in jury instructions and it is about to be said again here that a conspiracy is a kind of partnership in crime in which each conspirator becomes the agent of the other. Although you are used to defining this like partnership or agency, which have their uses in ordinary business and civil law, you will understand the words aren't necessarily used in their lawful, customary business sense. Your common sense and experience will tell you that if people enter into a criminal conspiracy, much of what they do may be tacit and informal and unexpressed rather than explicit and clear or written down as is more customary in lawful agree-

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ments.

It remains necessary to prove that there was beyond a reasonable doubt an understanding or a combination or an agreement to act together to do the unlawful things in question. So whether or not there are explicit words at any given time, there must be evidence to show that kind of arrangement before a conspiracy can be found to have existed.

The task of the trier of facts, the jury in this case, is to take all the evidence together, all the things you found did or didn't happen, all the things you find were or were not said, and decide from that total picture whether there was the kind of agreement or getting together for the purpose of carrying out the kind of unlawful activities with which this case is concerned; and that, as I have indicated, may be a finding that rests on direct or circumstantial evidence or on a combination of both, but the evidence must satisfy, as I say, that there was such a coming together or understanding before you may find this first element established.

I have told you already, using that bank robbery analogy, that a conspiracy may be found to have existed even though its ultimate purposes were

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nct carried out. I tell you at the same time, as your sense of things would indicate anyhow, that if you find evidence that the unlawful purpose or purposes were carried out, that may itself be taken as some evidence that the alleged conspiracy existed.

So you will take all this evidence, consider it under the rules and in the light I have tried to give you, and decide whether element 1 is established, whether there was a conspiracy of the kind alleged between Mr. King and Mr. Boucher. If you are convinced of that, the length of the life of the conspiracy is not in itself a matter of consequence.

When I stated these elements -- and if you look at the beginning of count 4, on page 11 of the indictment, you will see the same thing -- I referred to the allegation charging a conspiracy that ran from January 1, 1968 up to the filing of the indictment in January, 1975.

Of course you know that nobody even claims there was a conspiracy of that duration. That too is part of a form of pleading that is lost in legal history and should perhaps some day be more thoroughly lost.

The point I am making here, the serious point is

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simply this: If you find the conspiracy existed on the question of its duration, it is sufficient if you find that it was in existence for at least some period of days or weeks or months during that total period alleged in the indictment.

It is said to have been among the purposes of this conspiracy to violate each of the three statutes about which I have talked, the securities fraud, mail fraud and wire fraud. As I say, each of those substantive crimes is said, is alleged to have been a part of the conspiracy.

I instruct you now that if it makes out the other elements, the government is not required to have proved that all three of these unlawful purposes were in view or accomplished. It doesn't have to prove any of them were accomplished for the conspiracy charge, but it is required, as a matter of strict law, only to prove that one of those purposes existed. If you are satisfied of that beyond a reasonable doubt, that would be sufficient on this subject though it is not, as you will understand, a subject of very great consequence in the realities of this particular case.

The first element is proof of the conspiracy. The second is proof of knowing and wilful participation.

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You will understand that these run very much together as a practical matter. Nevertheless, for purposes of the law and for good purposes of the law, it is important that they be separated and separately understood and separately considered by you in your deliberations on this serious accusation.

Obviously if you find there was no conspiracy of the kind alleged, your work on this count is finished and you must acquit. But if you find there was such a conspiracy, even though, as I say, it is an interrelated problem, you must focus on the second essential element, was the particular defendant you were considering a member of the conspiracy, did he knowingly and wilfully participate in it. As I have said, and as I remind you, you must consider each separately for this purpose.

Whether somebody was in a conspiracy, as is true of almost any other kind of crime, is a question that must be answered in terms of his own conduct, his own behavior, the things that he himself said or didn't say at the times in question. It will be obvious to you that in considering the behavior of anybody, any one of us, it is frequently necessary to view it in the setting of things done or said by other people.

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Actions or statements take on meaning and coloration and significance from what other people are doing and saying at the time of those actions or statements. So in considering Mr. King or Mr. Boucher and what he did or did not do you may consider it in connection with pertinent things as you find them, that were done or not done, said or not said by other people. But in the end remember, it is what you find about the particular defendant that will be determinative and decisive in your decision as to whether he was in this alleged conspiracy.

To find that somebody was in a conspiracy you must find that he knew at least one of its unlawful purposes and knowingly associated himself with it. That is to say, a person must be shown to have been aware of its nature, aware of its objects and willing and ready to enter into those purposes with an understanding of what they were, and desirous of participating in a way that would help to achieve the unlawful goals.

Mere association with people who are in a conspiracy doesn't make you a conspirator, nor does knowledge of somebody else's conspiracy without participation suffice. What is required, to repeat, is

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a showing that a particular defendant associated himself, however informally, with the conspiratorial scheme knowing at least one of its purposes and intending to act himself in some way to help to bring about the success, the completion of that venture.

If somebody does get into a conspiracy in that sense, he is a member, even if he only participates in some parts or asepcts. You could be a conspirator, though I think this is not relevant here, even if you don't know all the other people in the conspiracy. The question is, I guess repetitiously but perhaps for the last time, whether the defendant you are considering voluntarily joined, however informally, in the conspiratorial scheme knowing what it was about, intending to participate, intending to help make it succeed. If the answer to that is yes, then you may find the defendant was a member of this conspiracy.

I have told you and I remind you that each has a right to be considered separately. When you finish with that separate consideration you must follow this instruction. You can't conspire with yourself. It takes at least two people to have a conspiracy. In the circumstances of this particular case, so far as you, we, are concerned, the only members of this conspiracy

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were Messrs. Boucher and King. Therefore, after you get through giving them the individual consideration each deserves -- I may be on the verge of putting Mr. Morgani to sleep, but I think I am not allowed to do that; I just wanted you to rejoin us -- I was just saying, Mr. Morgani and ladies and gentlemen, that after you have gone through the individual consideration to which each defendant is entitled on the conspiracy count as on all the counts, you must have in mind that in the end you can't convict one without the other in this case. They must both be acquitted or both convicted after you have given them the individual consideration which is their right. I hope that it is perfectly clear and all I mean is a conspiracy by only one of these defendants could not have existed without the other.

I hope that it is perfectly clear to you from what I have just said that you can't be in a conspiracy accidentally or without knowledge. These defendants are charged with knowing and wilful participation in this alleged conspiracy. You will have in mind the things I told you about, knowledge and wilfulness, and apply them again here. That's the second essential element of the conspiracy charge.

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If you find those two elements, the government must still have proved at least one of the overt acts alleged on the last page of this indictment under a heading "Overt Acts."

The theory of that, which is not important to you, it may interest you, is simply this: It is a principle in our law generally, if not universally, that we don't want to condemn people to criminal liability for mere thought about misbehavior. It is possible that people might talk together about possibly committing some crime and then drop the subject and do nothing about it. And the prinicple is that people ought not to be convicted for that kind of talk alone.

It is required therefore, usually and in this case, that before a conspiracy may be established there must be at least one overt act that occurs during the existence of the conspiracy and that happens for the purpose of furthering the conspiracy. Of course the overt act may itself be talk but it must be some talk beyond the initial agreement or understanding, an action or a statement accomplished in furtherance of the conspiracy. It can be something that was done or said by either one of the conspirators and the

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government is required to prove only one, but you must, to sum up on this, find at least one of the four overt acts on this last page to have been committed before you could convict on the conspiracy count.

I think enough is said on that subject with that.

The conspiracy charge under another principle of law reads back on the substantive counts, or may read back on the substantive counts in one aspect about which I am now going to tell you.

I told you a few minutes ago that there is a sense in which each member of a conspiracy acts as a partner or agent for the others. In the effectuation of that principle, it is also the law that a person involved in a conspiracy may be held guilty of a substantive offense committed in the carrying out of that conspiracy, in furtherance of that conspiracy, even though he does not directly participate in that substantive offense, if the commission of that substantive offense is an understood part of the conspiracy or a foreseeable incident of that conspiracy, understood by the particular person you are considering.

I realize some of these sentences get in-

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terminably long. By repetition I hope they may become clear.

What I am saying, in another long sentence, is that if you find beyond a reasonable doubt that the conspiracy charged in this case existed between these two defendants, and if you were then to find that one of the three substantive offenses in counts 1, 2 and 3 was committed by only one of the conspirators, and if you also found that the acts constituting that substantive offense were done in furtherance of the conspiracy, and further that the member who did not commit the substantive offense could reasonably have foreseen that that offense would be committed in the carrying out of the conspiracy, then you may find the person who didn't commit the substantive offenses guilty of that offense as a result of his participation in the conspiracy and those other elements that I have just listed in that long list.

It may be, I hope it will be, that our illustrative bank robbery case will help you a little to bring that into focus. You had a conspiracy, as you frequently have, to rob a bank. It might be agreed that one of the conspirators would be assigned a task of acquiring some weapons, however they could

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be acquired, probably by stealing them. And then as the several conspirators went about their business in arranging the transaction one might break into a store and rob some guns. If all of them had understood and foreseen that as part of the steps in implementing the conspiracy, the others could be liable for that substantive offense of stealing the guns even though they didn't participate in it and even if they didn't know exactly when and how it would be carried out. That is in the effectuation of the principle I have been telling you about and I hope it is perfectly obvious I picked an illustration and it stays quite distant from things involved in this case, but the principle is the one I have stated to you and in the abstract terms of that conspiracy I trust is enough for you so that you can consider whether the government has beyond a reasonable doubt established that thesis with respect to any of the substantive counts in this case, the government claiming that that is an alternative or additional means by which it has proved one or more of those substantive counts.

I want to talk to you about the subject of evidence, of so-called prior similar acts. I am

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going to be speaking about two or three aspects of the evidence, just to put them in their proper place in this case for your consideration.

You heard testimony from Mr. Raff as to a transaction in which he engaged relating to some Shell Sealey Smith properties. You will remember the government undertook to show that at the instance of Mr. King and Mr. Boucher, Mr. Raff bought a part of the Fund of Funds' interests in some uranium and oil properties, the oil aspects of these being described, as I remember, as the Shell Sealey Smith acreage. That all happened in 1968, at least the transaction occurred in 1968, and didn't relate to the Arctic properties which are the center of this case involved with Mecom and COG, but according to the government Mr. Raff's purchase was made other than at arm's length with a secret,undisclosed understanding that he would suffer or be exposed to no out-of-pocket expenses.

According to the government's contentions, which are disputed at substantially every point by the defendants, Mr. Raff was told that the uranium portions of this purchase would be sold off and would cover his obligations on the rest and that he would have no liability on that ostensible transaction.

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The government contends that in essence this was a set of secret understandings similar to those involved in the later Arctic transactions. That is to say, that the Fox-Raff purchase was used as a purported arm's-length market transaction on the basis of which FOF revalued substantially upward the rest of the properties in question and that the same kind of underlying fraud was involved there.

That evidence is not charged as one of the crimes on which you are to seek a verdict. It has been allowed to come before you in this case, as I say, as so-called prior similar acts. The rule that governs such a situation is this: Evidence of prior similar acts may be placed before a jury solely insofar as they may show a design or knowledge or intent. So if you find that the government has proved its version of the Fox-Raff transaction that evidence may be taken by you as showing that there existed back in 1968 a design or plan by these defendants, or either of them, to use ostensible arm's-length sales, coupled with secret arrangements or understandings, as a device for bringing about the upward revaluation of FOF properties purchased from King Resources.

If you are convinced that the transaction

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was as the government claims, the evidence may be weighed by you as some evidence relating to the knowledge and intent of the defendants when they arranged the Arctic sales late in 1969, and thereafter made representations about the allegedly arm's length character of those sales.

I remind you, however, that you may use this Fox-Raff business only for the purpose I have just described. Beyond the question of design or knowledge or intent you are not permitted to use this evidence of allegedly similarly prior acts as proof in itself that either defendant committed any of the specific acts which are before you in this indictment and which are ultimately the only acts on which you are asked to pass a verdict in this particular case.

I want to mention on the advice of counsel for both sides another aspect of the evidence. You have seen some charts and summaries in this case. And those have been presented assertedly on the basis of evidence that was already before you as a means of clarifying or presenting more graphically or intelligibly things that you knew from other aspects of the record. Such things are allowed into evidence as pictorial or visual representations or resumes of information or

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data that you already had from other evidence in the case. So in considering charts or summaries or materials of that nature you must make a judgment as to how correctly and fully and fairly they set forth the information found elsewhere in the record. To put it another way, the charts and summaries are not o n their own hook independent evidence but rest for the utility and significance on other evidence otherwise placed in the record. If you find in the light of the other evidence that a chart or summary is inaccurate you shouldn't pay any attention to it. You must find in order to use it effectively and fairly that it is a complete, fair, full summary of things it purports to show; and if you find that, then of course you may use it for whatever assistance it supplies in your understanding of the facts in dispute and in your effort to reach conclusions about those facts.

Now let me tell you about the statute of limitations. There is applicable to the crimes charged in this case a five-year statute of limitations. That means that the defendants could not be validly indicted and they may not validly be convicted unless their crimes were committed or continued into a period within five years preceding the date of the indictment.

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I inform you, as I mentioned along the way, that the indictment in this case was returned on January 20, 1975. This means that the defendants can't be convicted of any crime which you do not find them to have committed or continued after January 20, 1970.

The government contends that on each aspect of the case, on each of the four counts, there were communications and actions of one kind and another, extending well beyond January 20, 1975, and that the statute of limitations, as lawyers say, is therefore satisfied. But this, of course, is for you to decide.

Now, only for this purpose, the purpose of the statute of limitations, I want to tell you or list for you a number of things that the government claims to have shown that are said to satisfy this limitations problem.

Among the actions that are said to have been taken by the defendants themselves or that were allegedly caused by them to be taken during the five-year period, that is, after January 20, 1970, the government alleges the following: The signing and forwarding of representation letters by both defendants on January

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23, 1969, and again on M[illegible], 1970;

The defendant King's meeting with Dr. Rinfret in Denver and the meeting of both defendants with the FOF board of directors in Dr. Rinfret's office in New York City in July, 1970, where it is claimed they carried on the scheme by affirmatively concealing the true circumstances of the Mecom and COG transactions;

The defendant King's efforts, which are said to have been successful, in March of 1971 to have Neal Marriott withdraw his claims to Dr. Frederickson concerning the Mecom contract;

The representation letter to Arthur Anderson & Company dated June 14, 1971, signed by Mr. Boucher.

There are other mailings that are specifically alleged by the government and that would relate on the government's thesis both to the first count, the securities fraud count, and to count 2, the mail fraud count, and these include the following:

A mailing on January 30, 1970 from Nicholas Constantakis in New York to Philip Carr in Denver in connection with the Arthur Anderson audit;

An April 1, 1970 mailing from Hubbard in Denver to Walter Reugger and Constantakis, again in connection with the audit;

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A similar mailing on January 21, 1970 from Hubbard in Denver to Constantakis in New York;

A January 21, 1970 letter from William Fishman in Denver to Arthur Feder in New York, enclosing copies of the Arctic contracts between KRC and FOF subsidiaries as well as a sales computation sheet on the Arctic sales.

Then the government alleges certain wire communications which would relate to this statute of limitations problem on count 3, the wire fraud, and presumably to count 1, the securities fraud count.

I will list these asserted events claimed by the government to bring the case within the statute:

Various telephone calls in May and June, 1970 between both defendants and Allan Conwill in New York concerning the investigation by the FOF board of the directors of the Arctic revaluation and specifically the Mecom and COG transactions;

A January 23, 1970 Telex from Hubbard and Klein in Denver to Constantakis in New York concerned with the audit;

A similar Telex of January 27, 1970 from Constantakis in New York to Carr in Denver;

Another Telex concerned with the audit on

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January 29, 1970 from Carr and Hubbard in Denver to Constantakis in New York;

Another such Telex on February 9, 1970 from Carr in Denver to Constantakis in New York;

A wire transfer on March 11, 1970 of the KRC down payment on its Arctic contract with the Fund of Funds in the amount of just under $600,000 from KRC's account at a Denver bank to the accounts of two FOF subsidiaries in a New York City Bank.

Let me remind you, having summarized these incidents, that in the government's contention you must find a continuation of the scheme to conceal and mislead extending beyond January 20, 1970, and in connection with the first three counts of the indictment, at least one use of the mail or instrumentalities of commerce under count 1, at least one mailing of the kind I have described under count 2, at least one wire communication of the kind I have described under count 3. You must find such things before you may convict consistent with the five-year statute of limitations.

And if that has not been made perfectly clear with respect to count 4, the conspiracy count, let me say, perhaps again, that as the statute of

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limitations affects that count you must find that at least one action in furtherance of the conspiracy occurred after January 20, 1970 before you may convict on that conspiracy count.

I have told you things that you will be concerned with finding or not finding and you must find them from the evidence and you know that the evidence is in conflict.

That brings you to the classic assignment of jurors. It is very possible that you have heard perjury in this case. It happens in a courtroom. At the very least you have heard sharp conflicts in the evidence. Those conflicts present you with your most vital assignment, the resolution of issues of credibility.

That is a standard subject for discussion in charges to juries which are given by judges, but the fact is that those of us who are trained in the law are not thought in our system to have any special expertise in connection with the subject of credibility. It is not a technical, lawyer's subject, it is not taught in law school.

Jurors come to the courthouse in our system in the belief that this is a sound and suitable question

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for their consideration. It is expected, and experience tends to vindicate the expectations, that citizens like you will come here resolving questions of credibility by using the everyday good sense that you bring to bear on your own affairs of consequence.

You have heard a substantial number of witnesses. You have had an opportunity, which you have used, to appraise them and their testimony as each of them appeared before you. You will be asking yourselves and each other in the jury room how they impressed you. Did the witness appear to be frank, forthright, open and candid, or shifty or suspect in some other way? Did the witness -- and of course this is important -- appear to know what he or she was talking about? . And at least equally important, did the witness appear to you to have a purpose to convey to you accurately the contents of his or her knowledge or memory?

A lot of these events are not recent. How good did the memory of a particular witness seem to be? Given the lapse of time, were the failures of memory, when they occurred, understandable and plausible, or were they themselves suspect in some way? If there were inabilities to recollect did they at any time reflect

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the desire not to remember or not to convey to you things that were remembered?

Was the witness consistent in his or her own testimony or self-contradictory? How did the direct examination compare with cross examination? How plausible was the story? Implausible stories are not necessarily untrue, but the plausibility of a story is obviously one of the factors you consider in weighing the credibility of a witness. What motive, if any, did the witness have to lie or to tell the truth? You have heard argument about this.

You realize that many people who appear on the witness stand have interests of one kind or another in the testimony they give and in the outcome of the case. You have heard all kinds of people who are more or less, and more or less significantly or insignificantly, involved in the transactions about which they told. Some of them have been in litigation about them or may be, or may be threatened with litigation. With each of the witnesses you consider such things and consider it in the interest or possible interest they may have had in the subjects about which they told you.

A 1495

You have heard both defendants themselves on the witness stand. A defendant isn't required to take the stand. These defendants did. You realize that a defendant in a criminal case has deep and special interest in the outcome of that case. You will consider that along with everything else.

Again, when I mention the subject of interest it is part of the effort that I hope you have perceived to lay before you just some of the factors as reminders that you will be considering in judging credibility. Obviously the fact that a witness is interested in his testimony or the outcome of the case doesn't mean he isn't telling the truth. If life were that simple or that difficult we would resolve the problem by never having interested witnesses on the witness stand and then we never could learn about the facts involved in a case. So I mention interest to you, not as a test of unreliability, decisive in and of itself, but, as I say, merely as a factor to be considered with all the others in making your critical assessment of creditility.

If you find that any item of the evidence was inaccurate you want to consider was it inaccurate because of intentional falsity or because of mistake

hpa27

or oversight.

In judging any witness, if you find an inaccuracy, you want to consider its relative importance or unimportance and how that may affect the rest of the testimony given by that witness.

If you find that any witness has wilfully testified falsely to you on any matter that is material in the case it is within your sovereign judgment to decide that you may want to reject altogether all of the testimony of that witness, or you may accept and credit whatever parts to you seem to be valid and useful in performing your task, the vital task of seeking to ascertain the truth.

You will remember surely what we talked about when you first came to work with us, that no witness is entitled to any greater or lesser credit in advance, based on his status or on the status of the party that calls him. The fact that a witness is called by the government or is in government employment doesn't entitle him to more weight and doesn't condemn him to less weight than would be given to any other witness on the basis of status or capacity.

In the end, you are to make judgments about these witnesses each on his or her own hook, not

hpa28

on the basis of rank or auspices or the identity of a party that called the witness to the stand.

We are approaching the end of these instructions. Let me say a few things about how you deliberate and the expected or hoped for or anticipated results of your deliberations.

(Continued on next page.)

jhrf 6 am 1

When you go to the jury room there will be 12 of you, as you know. Our two remaining alternates will have been excused.

The No. 12 is sometimes thought to be magical, but we won't take time about that. It is a number big enough so that you know the thesis of this ancient procedure. It is expected that you will go there to reason together. That means that each of you will know you have not only a right but an obligation to contribute your own thoughts and your own wisdom to those collective deliberations.

It means, by the same token, that you will go to the jury room planning to listen attentively and courteously and rationally to the views of your fellow jurors. If you have a position on anything at some point and then after rational discussion it is your good judgment that it was wrong and you should change it, by all means, change it, in good conscience.

On the other hand, if you have a position and it is a position dictated by your rational intellect and your conscience, you are not expected or even permitted to give it up just because you happen at the particular moment to be outnumbered.

I think you know but I instruct you that a jury verdict either way on any count must be unanimous.

jhrf 2

But that unanimous verdict, if and when it is recorded, must reflect the individual vote and conscience of each member of the jury.

You have plenty to think about in the jury room. Let me remind you of at least one subject that you may forego thinking about. Don't speculate about problems of sentencing. For better or worse, in our system sentencing is the responsibility of the trial judge, based on factors that have not been laid before you frequently and that are not laid before you because they are not assigned to you. Yours is the prior and more fundamental judgment of guilt or innocence, on which I am not permitted to intrude. Don't mar the performance of that function by speculating, because your speculations are sure to be wrong, about what conceivable sentence there might be if either defendant is convicted of any charge in this case.

If during your deliberations you need to hear any of the testimony again send us a note about that. We will all be standing by and as soon as we understand what your note calls for we will seek, primarily counsel will seek, to collect it, and we will present it to you. The same is true of any exhibits. Also of any part of these instructions. If any of this needs to be heard

A 1500

jhrf 3

again tell us about that and we will get one of our mellow voiced reporters to reread it to you or otherwise try to clarify to the best of our ability.

Remember there are two defendants and there are four counts. That means as a matter of simple arithmetic there will be eight separate decisions for you to make, separate with the qualification I gave you about the conspiracy count. That must go the same way with respect to both defendants.

The custom, the procedure in this court, is to have verdicts announced orally in open court through the foreperson of the jury. So Miss Buttner, if and when there is a verdict we will ask you to announce it in that fashion.

If at any time during your deliberations you send us a note and you are divided at that point, don't tell us how the vote stands. That is a private concern of the jury and not something on which we ought to be involved.

Now, before we complete this business of instructions it is a next to last step that counsel have an opportunity, most especially with a charge of this length, to advise the judge of any errors, of any omissions, of any things that need to be clarified or added. For that purpose, since you have been sitting so long, and

jhrf 4

patiently, I think I will give you one last recess while counsel and I confer together, and then we will invite you back in and if there are more instructions I will give them to you, if there are not you will at long last be asked to retire and deliberate.

Please take ten minutes.

(Jury left courtroom.)

THE COURT: Gentlemen, are you about ready with your exceptions?

MR. ARNOFF: Your Honor, just two short points, other than the previous exceptions raised yesterday.

I believe in substance your Honor charged that no amount of belief in the success of the venture will excuse the fraudulent conduct alleged, if the jury so finds. We take exception on the grounds we believe that this precludes the jury from considering if the defendants had reasonable belief in the value of the prices that the jury should be able to consider that on the issue of motive or reason to lie with respect to the representations as to the character of the transactions in the rep letters.

The second point --

THE COURT: Before you go on I want to say two things about that.

First, I don't think the charge as given precludes

jhrf 5

their considering motive. p. 4538

Second, we spent a lot of time on the requests. This was copied out of a Government request. I particularly asked you when I granted something in substance or whatever to point to things that particularly bothered you and you did not.

Third, however, I don't think that it is erroneous or prejudicial in any way. So I deny that on the merits in any event.

MR. ARNOFF: I just wanted to make my record, sir.

Mr. Maloney made a reference that your Honor mentioned that the Fund of Funds stock had dropped at some point and I believe this was confusing and misleading insofar as I recall the record the assets were spun off to Global and the assets were written down from fair market value to cost and any loss was merely a loss as a result of a change in accounting convention, and Mr. Hubbard from the stand testified that such a change in accounting method would not precipitate a real loss to the stockholders.

THE COURT: I think I described that as a Government contention.

I might also add that none of us would have liked to be holding that stock at the time of that accounting

jhrf 6

convention. But I will leave that to the jury.

MR. COLODNER: Your Honor, our point on that is that there was a date certain on which shareholders could have redeemed their shares in the fall of 1970, at which time they would have been entitled to the full benefit of the Arctic revaluation as of December, and in that sense it did not represent a downward revaluation of the properties.

THE COURT: What about after that? I don't understand that.

MR. COLODNER: After that it was a closed end company, which wasn't paying a dividend, which reflected a market value which would have reflected a discounted value of future income to that corporation, which was not capitalized. It goes into all sorts of factors which aren't a factor in valuing the particular property itself.

THE COURT: Okay.

MR. COLODNER: Also, your Honor, there was a statement made about purchases and sales by particular FOF shareholders subsequent to December, and while there is evidence in the record that there were sales and redemptions of Fund of Funds shares, there is no evidence in the record of particular purchases and sales by particular shareholders, and if one bought during that period

jhrf 7

there would have been no change in the Arctic valuation.

THE COURT: Yes.

MR. COLODNER: So our feeling was that there was no evidence to support the references in the charge to losses that such purchases or sales may have resulted in.

THE COURT: All right. Your exception is noted.

MR. COLODNER: We have nothing further.

MR. WING: Your Honor, there is one thing that I think might bear clarification.

When you were talking about the conspiracy charge and the fact that that count would not permit them to bring in a different verdict with respect to the two defendants, I don't recall your exact language, but it was language which in no way limited it to that count and I don't know whether the jury would have read it that way, but it certainly could have been read to apply to all four counts, that you have to find either both guilty or both innocent.

THE COURT: If anybody thinks that I will certainly clarify it. I thought I made that clear.

How do the defendants feel about that?

MR. ARMSTRONG: I think you mentioned it later, Judge. I think you said something at the time and there

jhrf 8

was a slight ambiguity at that time.

THE COURT: Why don't I clarify that then.

MR. ARMSTRONG: I think you did. Later on, at the end, you said, "On the conspiracy count, as I told you before, you must find them both guilty, but on the others there are two defendants and you find them separately."

THE COURT: Since I act on the presumption not of innocence or guilt but the presumption that I never make a mistake, I prefer to agree with defense counsel, but it is important enough I think to the defendants, certainly not less than the Government, so that it can't hurt to tell them I had reference only to Count 4 in that instruction that they have to make the same verdict on both, and let them go back to the jury room with that. I certainly don't see how either defendant can be hurt by that, so I will do that.

What else, Mr. Wing?

MR. WING: Nothing else, your Honor.

THE COURT: Anything else?

MR. MALONEY: No, that is it. We will don't have a report. Mr. Wing wanted to be certain to make a report on that BP business.

THE COURT: Look, gentlemen, for whatever it is worth, sitting up here, with whatever detachment that

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affords, I don't think it is a big deal.

MR.MALONEY: I do, Judge, because I emphasized it as the piece de resistance. I used that word in my summation, your Honor.

THE COURT: Yes, you did.

MR. MALONEY: That was one of the few things that Mr. Wing came back at and it is factually inaccurate.

THE COURT: You say it is factually inaccurate but you can't show that to me.

MR. MALONEY: I probably could convince the jury if I could get up again on my feet, but I can't convince Wing.

THE COURT: All you have to do is convince me, and you just have not done it.

MR. MALONEY: Your Honor, I will do it this way:

Every bit of acreage in the Arctic by the summer of 1970 was jointly owned with Fund of Funds, and that included Graham Island. Graham Island when it was sold in the summer of 1970 was jointly owned by Fund of Funds and KRC and they benefited from that $53 sale.

THE COURT: Mr. Maloney, it is perfectly clear from this record that one of them could sell part of its interests without the other. So you just haven't demonstrated

jhrf 10

anything.

You have a mind fired with a desire to be convinced, and I can appreciate that, but you haven't convinced me.

MR. MALONEY: All right, Judge. Mr. Wing convinced in a phone call.

THE COURT: Fine. He can take whatever action he likes. But your demonstration is just a total failure and you can't have it like that.

Let's get the jury in. I will let the alternates go and then we will discuss whether you can ever eat lunch and all that.

(Jury present.)

THE COURT: I want to clarify one thing, ladies and gentlemen, if it was left unclear.

I have told you for reasons that I tried to spell out that on Count 4, the conspiracy count, the verdict must be the same for both defendants. Now, that instruction applies only to Count 4. It does not apply to Counts 1, 2 and 3. Obviously I am not suggesting to you what kind of verdict you should bring in, but under the rules there is no similar requirement with those three counts and you could have a verdict that is different as between the two defendants on any one of those three.

jhrf 11

Now, with that, the first 12 in the box having survived, Mr. Galgano, Oslon, it becomes my duty to excuse you, and I do that.

I am not going to keep you. It is approaching lunchtime and you have been, like the others, if I may say this, wonderfully attentive and patient jurors. You have seen the other two alternates either be employed, as in the case of Mr. Durkin, or become unemployed, as in the case of Miss Munter. But you know why you were here and we do and on behalf of the court I thank you for that.

I am sure your term of service is over. If you go to room 109, gentlemen, they will give you your certificates, and we give you our good wishes and our thanks again and wish you good afternoon.

Now if we may have the marshals sworn, the jury may retire.

(The marshal was duly sworn.)

(At 12:43 p.m., the jury retired to deliberate upon a verdict.)

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(At 2:35 p.m. a note was received from the jury: "Copy of Judge's charge.")

(Court's Exhibit 1 marked for identification.)

(In open court.)

THE COURT: Our first note from the jury at 2:35 requests a copy of the Judge's charge.

I am advised by Mr. Hillman on behalf of the reporting unit that while they have already begun work on it, it will take two and a half or three more hours before the charge could be transcribed.

The thing that I read from, while it is frequently verbatim, is frequently not verbatim. I hope you all realize I wouldn't have written out all those grammatical mistakes in advance. So I can't give them that. Therefore, I don't know what to do, except tell them the situation and not invite them to have the reporter read it to them again at this time.

Does anybody have any different or additional suggestions?

MR. ARMSTRONG: Judge, they might have a particular interest in a particular part of the charge, and if they did that it might be possible to read that section to them.

THE COURT: Right. I certainly think we could

offer them that suggestion, but there is no way we can give them the whole charge. I suppose at the end of the day we will consider duplicating a couple of copies for them if they still want it. But other than that I don't think there is anything we can do.

Anybody got a different thought?

MR. MALONEY: No, your Honor.

MR. ARMSTRONG: No, your Honor.

THE COURT: Let's have them in and explain the situation.

(Jury present.)

THE COURT: We have your note, ladies and gentlemen, requesting a copy of the charge.

We can't exactly fulfill your request. Although much of it, as you observed, is read, much of it is not read, and I don't have any legible copy of which we could make copies to supply you.

I have inquired. The reporting office service is typing it up, but that will take about three hours from now.

THE FORELADY: The main thing was the definition and the breakdown of the conspiracy. That was a little doubtful.

THE COURT: Do you mean the conspiracy or the

A 1511

definition --

THE FORELADY: The conspiracy.

THE CCURT: The breakdown?

THE FORELADY: The breakdown, the fourth count.

THE COURT: Are you suggesting you think it would be helpful to you if I repeated what I said to you about Count 4?

Let's be sure we understand each other. I took you through Counts 1, 2 and 3.In connection with Count 1 I described the nature of the alleged scheme and so on and the other elements. So that Count 4 kind of came in at the tail end. But that is what you think you want?

If that is what you think you want -- you are from now on, as we told you, in charge -- I think that is what you are entitled to get, so let me undertake to give it to you.

I will assume in giving this to you that you do have in mind everything that went before. I see on my text, as it were, the instructions concerning Count 4 start at page 53. So I assume the first 52 pages are fixed indelibly in your minds and that any references back will be absolutely clear to you, you will know right where to go to know what those mean.

I told you early and then again at this point

A 1512

that the fourth count of the indictment charges a conspiracy, which is an unlawful understanding or combination or agreement between the two defendants here on trial that they would work together to commit one or more of the three substantive violations, the mail fraud, the securities fraud, the wire fraud, charged in Counts 1 through 3, and I have explained to you that an agreement to engage in such unlawful conduct is the essence or gist or gravamen, as lawyers sometimes say, of this crime of conspiracy.

Having told you that I told you there are three essential elements of this offense,and I will repeat those.

First, that at some time during the period in question, beginning January 1, 1968, there was an agreement or understanding between these defendants that they would undertake to commit at least one of the substantive crimes outlined in Count 4, which are the charges in the first three counts of the indictment, namely, the securities fraud, the mail fraud, or the wire fraud.

The Government must prove that. And then before you could convict it must prove two additional essential elements.

The second is that the defendant, and ultimately, as I told you, both defendants here, knowingly and wilfully

A 1513

participated in that conspiracy, the kind of conspiracy defined in this count, knowing its unlawful purpose or purposes.

And third, that one of the conspirators, either one, committed at least one of the overt acts set forth in the last page of the indictment.

Somewhat repetitiously, but I guess not quite sufficiently, I defined this concept of conspiracy for you and repeated and I now repeat again that it is the unlawful combination or agreement or understanding that is the crux of conspiracy.

I told you that we frequently say that a conspiracy, this kind of unlawful agreement or understanding, is frequently called a partnership in crime, where each conspirator functions as the agent of the other.

Although those words are used, the Government is not required in a criminal case to prove that there was a partnership or an agency in the normal lawful business sense of those words. If and when people enter into a criminal conspiracy much is left to informal unexpressed tacit understanding.

So it is sufficient to make out a criminal conspiracy if it is shown beyond a reasonable doubt that two or more persons in any manner, through any kinds

A1514

of contrivance, expressly or tacitly came to a common understanding to work together to violate the law.

I repeat: Explicit words or specific kinds of contractual statements aren't necessary to this purpose.

What you must do in deciding whether this first essential element, the existence of the conspiracy, has been established is to take and review the total record as it affects this subject, the total record of what the evidence shows or doesn't show about what these defendants did or said, and decide whether that taken as a whole proves to the requisite degree that these defendants did get together and did agree, expressly or not, to proceed to seek to accomplish those unlawful objectives set out in the conspiracy count and earlier in the three substantive counts.

I told you you would consider on this all of the evidence and that means the direct evidence and the circumstantial evidence and the inferences you may soundly draw to your satisfaction or the inferences that you find you are unable to draw from all of that evidence taken together.

I told you that while the conspiracy had, according to the indictment, one or more of those three stated purposes, it is first of all not necessary on the

A 1515

conspiracy count for the Government to prove that any of those purposes was accomplished.

At the same time I instructed you and I do again that if you find any of those objectives was reached, any of those substantive violations did occur, you may consider that as some evidence that a conspiracy to reach those goals was or had been in existence.

I told you that although three purposes are alleged, three unlawful purposes, the Government is not required to prove that all three of them existed. One such unlawful purpose would be enough on the required proof of this first element.

So to repeat, your responsibility on this conspiracy charge in Count 4 with respect to this first essential element is to go through the evidence, review what it shows and what it doesn't show, and then taking it all together determine whether you are convinced beyond a reasonable doubt that these defendants agreed tacitly, without words or with words, that they would proceed together to seek one or more of the unlawful objects charged in this fourth count.

I don't know if it is necessary to repeat, but I will, that the exact duration of the conspiracy, if you find that it existed, is not a matter of great significanc

A1516

You don't need to find, if you are otherwise satisfied on this first element, that the conspiracy existed throughout the seven years or so marked in the indictment. If it existed for any part of that period, days, weeks, months, that would be sufficient on the question of duration or length of its existence.

Then we came to the second essential element. Of course, if you find there was no conspiracy, that is the end of Count 4, the defendants are acquitted. But if you find there was the kind of conspiracy the Government charges you must then address the question whether each of these defendants, considered separately for this purpose, became a member of or a participant in that conspiracy.

And I told you even though in the end you know by now they are both to be treated alike for purposes of this Count 4 only, I told you that it is vital here that you do consider each of them separately. We don't for this or other purposes follow a doctrine of guilt by association. Whether somebody, whether either of these defendants, was in a conspiracy is a question that has to be answered based on what he did, what he said, what he knew, what he intended, at the times and the places in question.

I simply added as a matter of common sense and equally of the law of evidence and conspiracy that what

A 1517

any of us says at any given time frequently requires reference to what other people are saying and doing in order to understand the meaning of what is going on.

If somebody saw me doing this now and didn't see you and didn't know it was addressed to you it would be an even more peculiar performance than it might seem. What I am saying has meaning and purpose and significance in light of your being there and what we are all doing together.

And so this understanding what an defendant did or said in any given time and what it meant, what he knew or didn't know, you may well have to consider the statements and actions of other people on the occasions in question with respect to the transactions in question. But having done that, to understand the responsibility or nonresponsibility of any defendant, you come back in the end ot his conduct, his statements, and determine whether -- and this is your question, of course -- whether he entered into this conspiracy, became a participant or member of it.

And for that, to repeat, you must first of all be satisfied that the person in question knew the nature of the conspiracy, knew the nature of the unlawful objectives, and willingly joined in that undertaking, willingly

A 1518

associated himself with that venture, to seek one or more of those objectives.

In this setting, before he could be a member of this conspiracy, a defendant would have to be found to have entered into it aware of the fraudulent purposes and plans you have heard about and with a specific criminal intent, that is, with the specific criminal intent to participate in the kind of fraudulent scheme which is at the center of this case.

Merely associating with a conspirator doesn't make you a conspirator. Knowing that people nearby that you know, that you associate with, are in a conspiracy doesn't make you a member. What is necessary is both association with the intent to participate and knowledge, and both of those must exist before either defendant can be found to have been a member of the conspiracy.

Now, if somebody does participate in a conspiracy in that sense then he may be held liable for that participaton even if his participation doesn't extend to all the aspects and all the steps in the unlawful arrangement.

So you will ask yourselves in deciding whether element 2 of Count 4 has been proved whether you are satisfied with respect to either defendant beyond a reasonable

A 1519

doubt that he entered into this unlawful understanding or arrangement with a specific intent to defraud, intending to associate himself with the other conspirator, to bring about one or more of these unlawful purposes charged here in Count 4 and earlier in Counts 1 through 3.

And then -- and of course I am being quite repetitious now -- having stressed to you the importance of individual treatment of these individual defendants, I came back to the point that I trust is entirely familiar to you now, that with respect to Count 4, unlike the first three counts, your verdict must be the same with respect to both defendants. You can't convict one if you have acquitted the other. And the reason for that, to remind you, is that it takes at least two people to form a conspiracy, and the only two charged in this case as the matter is being laid before you are the defendants Mr. Boucher and Mr. King.

Finally, and again perhaps somewhat repetitiously, I said to you and repeat to you that the things I have just explained should make it clear that you can't be in a conspiracy inadvertently. You have to know what you are doing, you have to know what is being done, you have to know what the understanding is you have to know the purpose, and here you have to have the specific intent to participate

A 1520

in a fraudulent scheme.

So that everything I have said earlier, general and particular, about the definition of knowledge and wilfulness will be brought to bear by you again in considering this charge of membership in this conspiracy.

I think the least complex of these things is the third essential element of the crime of conspiracy, the proof of at least one overt act, and I told you the theory of that and I will spare you a repetition, but I instruct you that if you find the first two elements before you may convict you must also be satisfied beyond a reasonable doubt that at least one of the four overt acts alleged on the last page of this indictment was committed. The Government is not required to proveall. It is required to prove only one. But it must prove at least one. And if it has done that, and if the other two essential elements are satisfied, you may find the defendants guilty on this fourth count. Otherwise, you may not.

Now, that covers again, Miss Buttner, the conspiracy count. Is it your belief that that is what was wanted?

THE FORELADY: I think so.

THE COURT: If it occurs toyou before another three hours or so elapse that you have need for any other part of the charge I think it would be expeditious if you

A 1521

would try to identify which part and we will find that before you come out. We may even have Mr. Hillman or his colleague read it to you at that time.

THE FORELADY: Thank you.

(Jury left courtroom.)

THE COURT: As long as we are together, gentlemen, maybe we ought to make long anticipatory decisions or at least start thinking about them.

In this situation I always am of two minds about whether to have a jury sit here in the courthouse until 7:00 or 8:00 o'clock and if they haven't reached a verdict let them go and have a late continental dinner and retire for the night at their hotel or whether to send them out around 7:00, have them dine and then come back and deliberate until about 11:00.

MR. ARMSTRONG: I am sorry, your Honor. What were the two times?

THE COURT: I don't even stick at the times. It is sort of customary to send them out around 7:00 for dinner.

MR. ARMSTRONG: The question is whether to bring them back.

MR. WING: We would offer the latter, having them take an earlier dinner and then come back.

THE COURT: Any other views on that?

MR. ARMSTRONG: No, I think that may be satisfactory Judge.

THE COURT: All right. I will ask the marshals to plan, if we haven't heard anything else, to arrange dinner at 7:00, to notify all of us where the jury will be so that we can have some privacy at dinner, and then to have them come back and stay till whatever, elevenish. Yes?

Okay.

(In open court.)

THE COURT: The jury I am told reports it has a verdict. So we will have them in.

(Jury present.)

THE COURT: We are informed you have a verdict, Madam Forelady, and the formal procedure is the clerk takes the verdict from you and I will ask him to do that.

THE CLERK: Madam Forelady, as to the Defendant King, what is your verdict as to Count 1?

THE FORELADY: Guilty.

THE CLERK: As to Count 2 what is your verdict?

THE FORELADY: Guilty.

THE CLERK: As to Count 3 what is your verdict?

A 1523

THE FORELADY: Guilty.

THE CLERK: As to Count 4 what is your verdict?

THE FORELADY: Guilty.

THE CLERK: As to Defendant Boucher, what is your verdict on Count 1?

THE FORELADY: Guilty.

THE CLERK: As to Count 2?

THE FORELADY: Guilty.

THE CLERK: As to Count 3?

THE FORELADY: Guilty.

THE CLERK: As to Count 4?

THE FORELADY: Guilty.

THE CLERK: Thank you.

Members of the jury, listen to your verdict as it stands recorded.

You say you find the Defendants King and Boucher guilty as to Counts 1, 2, 3 and 4, so say you all.

THE COURT: You wish the jury polled?

MR. ARMSTRONG: Yes, your Honor, I would like the jury polled.

THE CLERK: Members of the jury, listen to your verdict as it stands recorded. You say you find the Defendant King and Boucher guilty as to Counts 1, 2, 3 and 4.

(Each juror, upon being asked, "Is that your

A 1524

verdict," answered in the affirmative.)

THE COURT: Well, it is late in a long trial, ladeis and gentlemen, and I am not going to keep you with much further talk.

I told you the verdict is for you and I meant that and if I permit myself now, as I will, to express on behalf of the Court some words of appreciation to you, it is not for what you decided, it is for your service here.

I might say that possibly the most distinguished judge on this court, if we are allowed to make comparisons, has a principle. He never tanks a jury. I always thank a jury. In a way, we both mean the same thing, that is, that what you have done is a solemn and vital duty in our system and he feels that maybe it diminishes that to say thank you. I hope you don't feel that. I simply want to mark the occasion and perhaps allow myself to say particularly that in this trial, which has been somewhat longer than usual, in which there have been perhaps special disruptions of your personal lives, we have all, I believe, been impressed and gratified by your patience and your attention and your good humor in what cannot have been always a pleasant and entirely cheerful task.

So for all of those things, without regard to

A 1525

how you decided, I think I am permitted to say and I do say that we are all in your debt.

Our thanks again and our good wishes and we bid you all good afternoon.

(Jury excused.)

THE COURT: Are there any applications or motions at thiat time?

MR. ARMSTRONG: Your Honor, I wonder if we could have an adjournment of time to make motions and the defendants could be continued on whatever bail they are on right now.

MR. WING: No objection to the bail being continued I would ask that the Defendant King submit himself to be fingerprinted. He went twice I think and it never worked out.

THE COURT: All right. Can that be doneon his way out of the courthouse?

MR. ARMSTRONG: Sure.

THE COURT: Will you have that done, and with the Government's consent, the defendants will remain on whatever the bail conditions have been thus far.

I have sat here for ten and a half years. I still don't know how to work the calendars.

We will order a pre-sentence report for both

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defendants and I will set the sentence for 10:00 a.m. on August 12th, unless there is some problem for anybody.

MR. WING: I anticipate not being here at that time, your Honor. Could we do it the week after that?

THE COURT: Some of you people do take summer vacations. If that is what you have in mind, tell me about it.

What is your problem, Mr. Armstrong?

MR. ARMSTRONG: If I do get a chance to take a vacation, your Honor, it will be in those last two weeks.

MR. MONEY: I think there may be special problems in the time frame for getting a pre-sentence report because they are in Colorado. That might be considered by your Honor as far as your normal time, in any event.

THE COURT: August 12th is six weeks. I am perfectly willing to extend it. Let's just see if we can find a date that we can all agree on.

When you say the last two weeks, Mr. Armstrong, how is Augsut 30th or 31st?

MR. ARMSTRONG: My plans, your Honor, are so uncertain, I hesitate.

THE COURT: Let me make a suggestion, gentlemen. Let me suggest that we put it down for the morning of the 19th, with the understanding that I will plan to try

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to be agreeable to an adjournment to say the 31st or something in between that all of you can agree on, subject only to my office's agreement on my behalf as well. Is that acceptable?

MR. ARMSTRONG: Whatever.

MR. WING: It is fine with the Government.

THE COURT: All right. Let's set the sentence for August 19th at 10:00 a.m.

THE CLERK: Courtroom 301.

THE COURT: Reading backward from that, I grant your application, Mr. ARmstrong, to put off any motions at this time, but I want any motions in this case to be in writing and to be served and filed not later than August 2nd. The Government will respond not later than August 11th.

Is that a problem?

MR. VIZCARRONDO: I think we are both going to be on vacation that week, your Honor.

THE COURT: Which week, August 2nd?

MR. WING: I will be away just the second week in August.

We will work it out, Judge.

THE COURT: Well, no. Look, let's work it out now.

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MR. WING: Maybe if we could have --

THE COURT: I will order that motions be in by July 19th, while it is fresh in everybody's mind, and then the Government will then respond by July 28th.

MR. WING: Very well.

THE COURT: If there is any reply paper, I hope we don't need that, it can be in by August 3rd.

My purpose you will understand is to give everybody an opportunity to consider everything and not do it in a slap dash fashion, so put down everything you have in mind.

Is there anything else?

All right. I have already complimented counsel. I reaffirm those views. Have a good summer.

(Trial concluded.)

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would try to identify which part and we will find that before you come out. We may even have Mr. Hillman or his colleague read it to you at that time.

THE FORELADY: Thank you.

(Jury left courtroom.)

THE COURT: As long as we are together, gentlemen, maybe we ought to make long anticipatory decisions or at least start thinking about them.

In this situation I always am of two minds about whether to have a jury sit here in the courthouse until 7:00 or 8:00 o'clock and if they haven't reached a verdict let them go and have a late continental dinner and retire for the night at their hotel or whether to send them out around 7:00, have them dine and then come back and deliberate until about 11:00.

MR. ARMSTRONG: I am sorry, your Honor. What were the two times?

THE COURT: I don't even stick at the times. It is sort of customary to send them out around 7:00 for dinner.

MR. ARMSTRONG: The question is whether to bring them back.

MR. WING: We would offer the latter, having them take an earlier dinner and then come back.

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THE COURT: Any other views on that?

MR. ARMSTRONG: No, I think that may be satisfactory, Judge.

THE COURT: All right. I will ask the marshals to plan, if we haven't heard anything else, to arrange dinner at 7:00, to notify all of us where the jury will be so that we can have some privacy at dinner, and then to have them come back and stay till whatever, elevenish. Yes?

Okay.

(In open court.)

THE COURT: The jury I am told reports it has a verdict. So we will have them in.

(Jury present.)

THE COURT: We are informed you have a verdict, Madam Forelady, and the formal procedure is the clerk takes the verdict from you and I will ask him to do that.

THE CLERK: Madam Forelady, as to the Defendant King, what is your verdict as to Count 1?

THE FORELADY: Guilty.

THE CLERK: As to Count 2 what is your verdict?

THE FORELADY: Guilty.

THE CLERK: As to Count 3 what is your verdict?

THE FORELADY: Guilty.

THE CLERK: As to Count 4 what is your verdict?

THE FORELADY: Guilty.

THE CLERK: As to Defendant Boucher, what is your verdict on Count 1?

THE FORELADY: Guilty.

THE CLERK: As to Count 2?

THE FORELADY: Guilty.

THE CLERK: As to Count 3?

THE FORELADY: Guilty.

THE CLERK: As to Count 4?

THE FORELADY: Guilty.

THE CLERK: Thank you.

Members of the jury, listen to your verdict as it stands recorded.

You say you find the Defendants King and Boucher guilty as to Counts 1, 2, 3 and 4, so say you all.

THE COURT: You wish the jury polled?

MR. ARMSTRONG: Yes, your Honor, I would like the jury polled.

THE CLERK: Members of the jury, listen to your verdict as it stands recorded. You say you find the Defendant King and Boucher guilty as to Counts 1, 2, 3 and 4.

(Each juror, upon being asked, "Is that your

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verdict," answered in tne affirmative.)

THE COURT: Well, it is late in a long trial, ladeis and gentlemen, and I am not going to keep you with much further talk.

I told you the verdict is for you and I meant that and if I permit myself now, as I will, to express on behalf of the Court some words of appreciation to you, it is not for what you decided, it is for your service here.

I might say that possibly the most distinguished judge on this court, if we are allowed to make comparisons, has a principle. He never tanks a jury. I always thank a jury. In a way, we both mean the same thing, that is, that what you have done is a solemn and vital duty in our system and he feels that maybe it diminishes that to say thank you. I hope you don't feel that. I simply want to mark the occasion and perhaps allow myself to say particularly that in this trial, which has been somewhat longer than usual, in which there have been perhaps special disruptions of your personal lives, we have all, I believe, been impressed and gratified by your patience and your attention and your good humor in what cannot have been always a pleasant and entirely cheerful task.

So for all of those things, without regard to

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how you decided, I think I am permitted to say and I do say that we are all in your debt.

Our thanks again and our good wishes and we bid you all good afternoon.

(Jury excused.)

THE COURT: Are there any applications or motions at thiat time?

MR. ARMSTRONG: Your Honor, I wonder if we could have an adjournment of time to make motions and the defendants could be continued on whatever bail they are on right now.

MR. WING: No objection to the bail being continued. I would ask that the Defendant King submit himself to be fingerprinted. He went twice I think and it never worked out.

THE COURT: All right. Can that be doneon his way out of the courthouse?

MR. ARMSTRONG: Sure.

THE COURT: Will you have that done, and with the Government's consent, the defendants will remain on whatever the bail conditions have been thus far.

I have sat here for ten and a half years. I still don't know how to work the calendars.

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MR. WING: I anticipate not being here at that time, your Honor. Could we do it the week after that?

THE COURT: Some of you people do take summer vacations. If that is what you have in mind, tell me about it.

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THE COURT: Let me make a suggestion, gentlemen. Let me suggest that we put it down for th e morning of the 19th, with the understanding that I will plan to try

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MR. ARMSTRONG: Whatever.

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